

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
(A COMPONENT UNIT OF THE
SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA)

BASIC FINANCIAL STATEMENTS

June 30, 2012

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
BASIC FINANCIAL STATEMENTS
June 30, 2012

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BASIC FINANCIAL STATEMENTS
June 30, 2012

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2012, and the respective changes in financial position and budgetary comparison for the General Fund and Special Revenue Fund for year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of the School's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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.

The Downtown Miami Charter School, Inc.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2012 and 2011.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2012, the School's fund balance was \$ 752,485.
- As of June 30, 2012, the Schools has net assets of \$ 901,277, as compared to \$ 974,710 as of June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the School's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Governmental Funds

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

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

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 9 through 14 of this report.

Agency Fund

In addition, the School has one Agency Fund which is a student activity fund. This fund is formed for educational and school purposes.

The Agency Fund financial statement can be found on page 15 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 through 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This School has been in operation for ten years; therefore, comparative government-wide data is presented. The School's net assets were \$ 901,277 at June 30, 2012. Of this amount, \$ 752,485 represented unrestricted net assets and \$ 148,792 represented amounts invested in capital assets, net of related debt. The School's net assets were \$ 974,710 at June 30, 2011. Of this amount, \$ 783,296 represented unrestricted net assets and \$ 191,414 represented amounts invested in capital assets, net of related debt.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Our analysis in the table below focuses on the net assets of the School's governmental activities:

The Downtown Miami Charter School, Inc.
Net Assets

	June 30, 2012	June 30, 2011
ASSETS:		
Current and other assets	\$ 1,126,722	\$ 1,337,558
Capital assets, net of depreciation	<u>148,792</u>	<u>191,414</u>
Total assets	<u>1,275,514</u>	<u>1,528,972</u>
LIABILITIES:		
Current liabilities	<u>374,237</u>	<u>554,262</u>
Total liabilities	<u>374,237</u>	<u>554,262</u>
NET ASSETS:		
Invested in capital assets, net of related debt	148,792	191,414
Unrestricted	<u>752,485</u>	<u>783,296</u>
Total net assets	<u>\$ 901,277</u>	<u>\$ 974,710</u>

Governmental Activities

The results of the year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2012 and 2011:

The Downtown Miami Charter School, Inc.
Change in Net Assets

	June 30, 2012	June 30, 2011
REVENUES:		
General revenues	\$ 3,711,815	\$ 4,240,835
Program revenues	<u>1,068,513</u>	<u>990,513</u>
Total revenues	<u>4,780,328</u>	<u>5,231,348</u>
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	2,332,298	2,146,055
Instructional support services	1,635,951	1,870,086
Operation of non-instructional services	<u>885,512</u>	<u>1,196,177</u>
Total governmental activities	<u>4,853,761</u>	<u>5,212,318</u>
Change in net assets	<u>\$ (73,433)</u>	<u>\$ 19,030</u>

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2012

GOVERNMENTAL FUND EXPENDITURES

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2012		2011	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,273,563	47.3%	\$ 2,146,055	40.7%
Plant operations and maintenance	1,139,539	23.7%	1,222,821	23.2%
Fiscal services	460,867	9.6%	561,854	10.7%
School administration	355,865	7.4%	372,929	7.1%
All other functions/programs	581,305	12.1%	963,530	18.3%
Total governmental expenditures	\$ 4,811,139	100.0%	\$ 5,267,189	100.0%

CAPITAL ASSETS

Capital Assets

At June 30, 2012, the School had capital assets of \$ 148,792, net of accumulated depreciation, invested in improvements other than buildings and machinery and equipment, as compared to \$ 191,414 at June 30, 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were favorable to the budget for the year ended June 30, 2012 as enrollment was higher than the plan although per student FEFP funding was less than budgeted by 3%. Additionally, the school received Federal Education Jobs Funding (Edu-Jobs) that was spent on wages for educational related services, e-Rate Funds to help cover telephone and internet charges, and a Title I Grant. While the School had a planned deficit, savings in expenditures allowed the School to complete the year favorable to budget by 86%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida is projecting a 2% funding increase for next fiscal year. This increase is reflected in the FEFP funding for the school. In addition, Capital Outlay funding, although expected to remain consistent into 2012-2013, will be reduced due to a greater number of schools include in the funding pool. This reduction in Capital Outlay funding of approximately 10% has been budgeted in the coming fiscal year to account for this dilution effect. The school will also receive a Title I Grant again next fiscal year.

Expenditures are budgeted to remain relatively flat into next fiscal year to accommodate previous revenue reductions. A 2% salary increase pool has been built into the budgets for any eligible returning school staff.

REQUESTS FOR INFORMATION

If you have any questions about this report or need additional information, please write Hillary Daigle, Controller; Charter Schools USA; 6425 North Federal Highway, 5th Floor; Ft. Lauderdale, Florida 33308.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS
June 30, 2012

A S S E T S

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,084,046
Due from other governments	39,441
Prepays and other assets	1,117
Deposits	<u>2,118</u>
Total current assets	1,126,722
 NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>148,792</u>
Total assets	<u><u>1,275,514</u></u>
LIABILITIES AND NET ASSETS	
 CURRENT LIABILITIES:	
Accounts payable	78,136
Salaries and wages payable	250,157
Due to management company	41,917
Due to Agency Fund	<u>4,027</u>
Total current liabilities	<u>374,237</u>
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)	-
 NET ASSETS:	
Invested in capital assets	148,792
Unrestricted	<u>752,485</u>
Total net assets	<u><u>\$ 901,277</u></u>

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

		Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
FUNCTIONS/PROGRAMS:					
Instruction	\$ 2,332,298	\$ -	\$ 351,513	\$ -	\$ (1,980,785)
Pupil personnel services	111,366	-	11,965	-	(99,401)
Instruction and curriculum development services	4,556	-	-	-	(4,556)
Instructional staff training services	668	-	-	-	(668)
Instruction related technology	20,897	-	20,897	-	-
School Board	14,130	-	-	-	(14,130)
School administration	351,865	-	13,346	-	(338,519)
Fiscal services	460,867	-	-	-	(460,867)
Food services	334,643	7,850	324,137	-	(2,656)
Central services	203	-	-	-	(203)
Operation of plant	1,051,814	-	1,470	222,258	(828,086)
Maintenance of plant	94,785	-	-	-	(94,785)
Community services	75,669	87,812	27,265	-	39,408
 Total governmental activities	 <u>\$ 4,853,761</u>	 <u>\$ 95,662</u>	 <u>\$ 750,593</u>	 <u>\$ 222,258</u>	 <u>(3,785,248)</u>
 General revenues:					
Grants and entitlements					3,679,595
Miscellaneous					25,041
Contributions					6,549
Investment earnings					630
					Total general revenues
					3,711,815
					Change in net assets
					(73,433)
					Net assets, July 1, 2011
					974,710
					Net assets, June 30, 2012
					\$ 901,277

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

A S S E T S

	General Fund	Special Revenue Fund	Capital Project Fund	Total
ASSETS:				
Cash and cash equivalents	\$ 1,084,046	\$ -	\$ -	\$ 1,084,046
Due from other governments	-	39,441	-	39,441
Due from other funds	39,441	-	-	39,441
Prepays and other assets	1,117	-	-	1,117
Deposits	2,118	-	-	2,118
Total assets	\$ 1,126,722	\$ 39,441	\$ -	\$ 1,166,163

L I A B I L I T I E S A N D F U N D B A L A N C E S

LIABILITIES:				
Accounts payable	\$ 78,732	\$ -	\$ -	\$ 78,732
Salaries and wages payable	249,561	-	-	249,561
Due to management company	41,917	-	-	41,917
Due to other funds	-	39,441	-	39,441
Due to Agency Fund	4,027	-	-	4,027
Total liabilities	374,237	39,441	-	413,678

COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)	-	-	-	-
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FUND BALANCES:				
Nonspendable:				
Prepays and other assets	1,117	-	-	1,117
Deposits	2,118	-	-	2,118
Assigned to subsequent year's budget	138,594	-	-	138,594
Unassigned	610,656	-	-	610,656
Total fund balances	752,485	-	-	752,485
Total liabilities and fund balances	\$ 1,126,722	\$ 39,441	\$ -	\$ 1,166,163

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
 June 30, 2012

TOTAL FUND BALANCE OF GOVERNMENTAL FUND, PAGE 10	\$	752,485
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Cost of capital assets	\$	483,390	
Less accumulated depreciation		<u>(334,598)</u>	<u>148,792</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$	<u>901,277</u>
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The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
REVENUES:				
Federal through state	\$ -	\$ 659,023	\$ -	\$ 659,023
State sources	3,771,165	-	222,258	3,993,423
Local sources	40,070	-	-	40,070
Aftercare	87,812	-	-	87,812
	<u>3,899,047</u>	<u>659,023</u>	<u>222,258</u>	<u>4,780,328</u>
Total revenues				
EXPENDITURES:				
Instruction	1,995,086	278,477	-	2,273,563
Pupil personnel services	111,366	5,400	-	116,766
Instruction and curriculum development services	4,556	-	-	4,556
Instructional staff training services	668	-	-	668
Instruction related technology	-	20,897	-	20,897
School Board	14,130	-	-	14,130
School administration	351,865	4,000	-	355,865
Facilities acquisition and construction	10,773	-	-	10,773
Fiscal services	460,867	-	-	460,867
Food services	14,917	322,726	-	337,643
Central services	203	-	-	203
Operation of plant	821,496	1,000	222,258	1,044,754
Maintenance of plant	94,785	-	-	94,785
Community services	49,146	26,523	-	75,669
	<u>3,929,858</u>	<u>659,023</u>	<u>222,258</u>	<u>4,811,139</u>
Total expenditures				
Net change in fund balance	(30,811)	-	-	(30,811)
 FUND BALANCES, July 1, 2011	 <u>783,296</u>	 <u>-</u>	 <u>-</u>	 <u>783,296</u>
 FUND BALANCES, June 30, 2012	 <u>\$ 752,485</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 752,485</u>

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2012

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND, PAGE 12	\$	(30,811)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$	10,773	
Provision for depreciation		<u>(53,395)</u>	<u>(42,622)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>(73,433)</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
State sources	\$ 3,835,062	\$ 3,958,733	\$ 123,671
Local sources	27,993	40,070	12,077
Aftercare	<u>158,935</u>	<u>87,812</u>	<u>(71,123)</u>
Total revenues	<u>4,021,990</u>	<u>4,086,615</u>	<u>64,625</u>
EXPENDITURES:			
Instruction	1,910,796	1,995,086	(84,290)
Pupil personnel services	256,609	111,366	145,243
Instruction and curriculum development services	5,257	4,556	701
Instructional staff training	2,493	668	1,825
School Board	13,500	14,130	(630)
School administration	324,225	351,865	(27,640)
Facilities acquisition and construction	31,100	10,773	20,327
Fiscal services	482,974	460,867	22,107
Food services	53,066	14,917	38,149
Central services	77,652	187,771	(110,119)
Operation of plant	862,264	821,496	40,768
Maintenance of plant	131,992	94,785	37,207
Community services	<u>50,330</u>	<u>49,146</u>	<u>1,184</u>
Total expenditures	<u>4,202,257</u>	<u>4,117,426</u>	<u>84,831</u>
Net change in fund balance	<u>\$ (180,267)</u>	<u>\$ (30,811)</u>	<u>\$ 149,456</u>

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Federal:			
National school lunch program	\$ 291,759	\$ 346,249	\$ 54,490
Title I	125,000	156,216	31,216
Education jobs fund	96,842	135,661	38,819
Race to the top	-	20,897	20,897
	<u>513,601</u>	<u>659,023</u>	<u>145,422</u>
Total revenues	<u>513,601</u>	<u>659,023</u>	<u>145,422</u>
EXPENDITURES:			
Regular instruction	221,842	278,477	(56,635)
Pupil personnel services	-	5,400	(5,400)
Instruction related technology	-	20,897	(20,897)
School administration	-	4,000	(4,000)
Food services	287,959	322,726	(34,767)
Operation of plant	-	1,000	(1,000)
Community services	3,800	26,523	(22,723)
	<u>513,601</u>	<u>659,023</u>	<u>(145,422)</u>
Total expenditures	<u>513,601</u>	<u>659,023</u>	<u>(145,422)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND
June 30, 2012

A S S E T S

	<u>Student Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 17,578
Due from General Fund	<u>4,027</u>
Total assets	<u>\$ 21,605</u>

L I A B I L I T I E S

LIABILITIES:	
Due to students	\$ <u>21,605</u>
Total liabilities	<u>\$ 21,605</u>

The accompanying notes to basic financial statements are an integral part of these statements

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established in February 2002 as a public charter school to serve students from kindergarten to sixth grade in Miami-Dade County. The School is a Florida nonprofit corporation and the governing body of the School is the Organization's Board of Directors. As of June 30, 2012, 645 students were enrolled in the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School Board (the "School Board"). The current charter is effective until June 30, 2012, however, in May 2012 the charter was renewed for a five year period which extends through June 30, 2017. At the end of the term of the charter, the School shall complete a charter renewal application including documentation of the School's success and current academic program for the Sponsor. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the Organization is considered a component unit of the Miami-Dade County School Board and is included in the School Board's comprehensive annual financial report.

The School may also be financially accountable is an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable, which would require inclusion in the School's basic financial statements.

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056(10), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements:

The School's financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). Both the government-wide and fund basic financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the year ended June 30, 2012 the School had program revenues of \$ 1,068,513.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net assets resulting from the current year's activities.

Fund financial statements:

The accounts of the School are organized on the basis of funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

The School reports the following major governmental funds:

General Fund – this fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund – this fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

Measurement focus and basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the full-accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified-accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents:

The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Revenue recognition:

Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee retained by the School Board. This funding is received on a prorata basis over a twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes:

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Capital assets:

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with a cost of \$ 750 and useful life of over one year. Donated property and equipment are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as follows:

Improvement other than buildings	3-10 years
Machinery and equipment	3-10 years

Net assets:

Net assets are classified in three categories. The general meaning of each is as follows:

- Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net assets that is available to fund future operations.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance:

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Use of estimates:

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget:

An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements, except for the reporting of a 5% administration fee retained by the School Board.

A reconciliation of the General Fund presented on a budgetary basis to the amount presented in accordance with generally accepted accounting principles (GAAP) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis, page 14	\$ 4,086,615	\$ 4,117,426
Less: 5% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	<u>(187,568)</u>	<u>(187,568)</u>
GAAP basis, page 12	<u>\$ 3,899,047</u>	<u>\$ 3,929,858</u>

Reclassifications:

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Date of Management Review:

The School has evaluated subsequent events through August 30, 2012, which is the date that the financial statements were available to be issued.

NOTE 3 - DEPOSITS

At June 30, 2012, the carrying amount of the deposits and cash on hand totaled \$ 1,101,624 with a bank balance of \$ 1,102,362.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2012.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2012 consists of an amount due from the National School Lunch Program.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, being depreciated:				
Improvements other than buildings	\$ 88,598	\$ -	\$ -	\$ 88,598
Machinery and equipment	384,019	10,773	-	394,792
Total capital assets, depreciable	472,617	10,773	-	483,390
Less accumulated depreciation for:				
Improvements other than buildings	21,543	8,060	-	29,603
Machinery and equipment	259,660	45,335	-	304,995
Total accumulated depreciation	281,203	53,395	-	334,598
Net capital assets, being depreciated, net	\$ 191,414	\$ (42,622)	\$ -	\$ 148,792

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 45,335
Operation of plant	8,060
Total	\$ 53,395

NOTE 6 - LEASES

Lease agreement with the Downtown Development Authority of Miami:

On April 22, 2002, the School entered into a lease agreement (the "Lease") with the Downtown Development Authority of Miami ("DDA") for property ("Leased Land") to be used for the sole purpose of the operation and construction of a charter school; subject to a Ground Lease Agreement with the Developer for the construction of the charter school. DDA had previously obtained the land from the City of Miami through an interlocal agreement (the "Interlocal Agreement") pursuant to Resolution No. 02-382 adopted on April 22, 2002. The Lease is subject to all provisions of the Interlocal Agreement and to the extent the Lease and the Interlocal Agreement conflicts the terms of the Interlocal Agreement will govern. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 1.00 per year as long as the land is used for charter school purpose.

Ground lease agreement Downtown Miami Charter School:

On April 22, 2002, the School entered into a lease agreement (the "Ground Lease") with DDA Charter School Developers, Inc. ("CSD") for the Leased Land mentioned in the Lease above. The Ground Lease was entered into with the understanding and agreement that CSD, at its sole cost and expense, would construct and equip the School on the Leased Land and rent the facilities back to the School. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 12 per year. Pursuant to the terms of the Interlocal Agreement, the School and the City authorize CSD as lessee under this Lease to pledge, mortgage or encumber its leasehold interest to a leasehold mortgagee in order to obtain financing for the construction of the charter school.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – LEASES (continued)

Premises lease agreement:

On April 22, 2002, the School entered into a lease agreement (the “Premises Lease”) with CSD for the charter school premises. The term of the Premises Lease commences on July 1, 2002 and continues for thirty (30) years. The agreement specifies the lease payments for the first five years of the lease with an adjustment on the sixth year and every lease year thereafter during the term of the lease. The rental adjustment will be adjusted upwards or downwards on the sixth year and every year thereafter based on the percentage increase or decrease of the per student full-time equivalent (FTE) credit from the preceding year.

The School’s rent expenditures totaled \$ 699,874 for the fiscal year ended June 30, 2012.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Management agreement:

The School has a formal agreement with Charter Schools USA, Inc. (“CSUSA”) to manage, staff, and operate the School. The agreement expires on July 31, 2012 and shall automatically renew for three additional one-year periods unless either party delivers a written notice of termination to the other at least twelve months prior to the expiration of the then current term. CSUSA shall be entitled to retain as compensation for its services rendered pursuant to this agreement the difference, if any, between the amount of the School’s revenues and the amount of revenues actually expended by CSUSA in operation and/or management of the School during its fiscal year (the “Fee”), not to exceed eleven percent (11%) of revenues (the “Fee Cap”). Any excess revenues beyond the fee cap shall be divided equally between CSUSA and the School. The School’s management fee expenses were \$ 460,508 for the fiscal year ended June 30, 2012

For the fiscal year ended June 30, 2012, the School has an amount due to the management company of \$ 41,917. The School also has an amount of \$ 52,064 owed to CSUSA for invoiced services included in accounts payable.

Post-retirement benefits:

The School does not provide post-retirement benefits to retired employees.

Litigation:

The School is involved in a lawsuit incidental to its operations, the outcome of which, in the opinion of management and legal counsel, should not have a material adverse effect on the financial position of the School.

NOTE 8 – EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2012, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 20% of his/her annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 8,474 for the year ended June 30, 2012.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - CAPITAL APPROPRIATIONS FUNDING

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 222,258 for the 2011/2012 school year, which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay its portion of the lease expense on the facility.

NOTE 10 - RISK FINANCING

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 7, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

The Downtown Miami Charter School, Inc.

This report is intended solely for the information and use of School's management, members of the Board of Directors, the Auditor General of the State of Florida and the Miami-Dade County School Board, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 30, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

Compliance

We have audited The Downtown Miami Charter School, Inc.'s, (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement*, that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major Federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Schools*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

The Downtown Miami Charter School, Inc.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 30, 2012



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

We have audited the financial statements of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 30, 2012.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 30, 2012, should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding audit.
2. 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.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is The Downtown Miami Charter School, Inc.

The Downtown Miami Charter School, Inc.

6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions 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 Downtown Miami Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor The Downtown Miami Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the use and information of the School's management, the Board of Directors, the Auditor General of the State of Florida and the Miami-Dade County School Board, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 30, 2012

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Agency/Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Indirect Programs:				
U.S. Department of Agriculture -				
Passed through Florida Department of Agriculture -				
National School Lunch Program	* 10.555	01-0455	\$ 319,726	\$ -
School Breakfast Program	* 10.553	01-0455	26,523	-
Department of Education -				
Passed through Florida Department of				
Education -				
Title I Grants to Local Educational Agencies	84.010	-	156,216	-
State Fiscal Stabilization Fund - Race to the Top				
Incentive Grants, Recovery Act	84.395	-	20,897	-
Education Jobs Fund	84.410	-	<u>135,661</u>	<u>-</u>
Total expenditures of Federal awards			\$ <u>659,023</u>	\$ <u>-</u>

* Denotes a major program

NOTE 1: This schedule was prepared on the accrual basis of accounting.

NOTE 2: Grant monies received and disbursed by the School are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the School does not believe that such disallowances, if any, would have a material effect on the financial position of the School. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by the governmental agency of any item charged to a program cannot be determined at this time.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL AWARD PROGRAMS
 For the Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report dated August 30, 2012 expresses an unqualified opinion on the financial statements of The Downtown Miami Charter School, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Reports 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*.
3. No instances of noncompliance material to the financial statements of The Downtown Miami Charter School, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal programs for The Downtown Miami Charter School, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal programs for The Downtown Miami Charter School, Inc. reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<u>Federal Award Program</u>	<u>CDFA Number</u>
U.S. Department of Agriculture – National School Lunch Program	10.555
School Breakfast Program	10.553

8. The threshold for distinguishing Type A and Type B programs was \$ 300,000.
9. The Downtown Miami Charter School, Inc. was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

No matters were reported.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
For the Year Ended June 30, 2012

D. OTHER ISSUES

1. A summary schedule of prior audit findings is not required because there were no prior audit findings related to Federal programs.
2. No corrective action plan is required because there were no findings reported under OMB Circular A-133.