

**YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)**

SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2018



GLSC & COMPANY, PLLC
certified public accountants

YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)

SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Youth Co-Op, Inc.
(a not-for-profit organization)
Miami, Florida

We have audited the accompanying special purpose financial statements of Youth Co-Op Charter School (the School), a program of Youth Co-Op, Inc. (YCI) (a not-for-profit organization), operating as a charter of the Miami-Dade County Public Schools, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and of cash flows for the year then ended, and the related notes to the special purpose financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose 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 standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits in the State of Florida. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the special purpose 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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

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

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To the Board of Directors of
Youth Co-Op, Inc.
(a not-for-profit organization)
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Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1 to the special purpose financial statements, the special purpose financial statements being presented are only for the School referred to on page 1, which is a program of YCI. The special purpose financial statements do not include the statements of financial position, activities and changes in net assets and of cash flows of YCI. Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of YCI as of June 30, 2018 or its changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2018, 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* and should be considered in assessing the result of our audit.

In accordance with Section 218.39(4), Florida Statutes, and Sections 10.856(2)(d), Rules of the Auditor General, we have issued a Management Letter Pursuant to the Rules of the Auditor General for the State of Florida dated September 17, 2018.

Prior Period Adjustment

The special purpose financial statements of the School as of June 30, 2017, were audited by other auditors whose report dated August 29, 2017, expressed an unmodified opinion on those financial statements. As discussed in Note 9 to the special purpose financial statements, the School has recorded a prior period adjustment to its 2017 financial statements to account for certain school-related expenses that were previously allocated to a related party and program of YCI. The other auditors reported on the special purpose financial statements before the prior period adjustment.

To the Board of Directors of
Youth Co-Op, Inc.
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As part of our audit of the 2018 financial statements, we also audited the adjustment to the 2017 special purpose financial statements described in Note 9. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the School's 2017 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2017 special purpose financial statements as a whole.

GLSC & Company, PLLC

Miami, Florida
September 17, 2018

YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)

STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

| | |
|--|---------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 2,734,244 |
| Accounts receivable | 19,035 |
| Prepaid expenses | 20,484 |
| TOTAL CURRENT ASSETS | 2,773,763 |
| Property and equipment, net | 655,295 |
| TOTAL ASSETS | \$ 3,429,058 |

LIABILITIES AND NET ASSETS

| | |
|---|-------------------------|
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | \$ 46,499 |
| Accrued payroll | 238,669 |
| Due to Youth Co-Op, Inc. | 69,703 |
| TOTAL CURRENT LIABILITIES | 354,871 |
| TOTAL LIABILITIES | 354,871 |
| NET ASSETS | 3,074,187 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,429,058 |

The accompanying notes are an integral part of the special purpose financial statements.

YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Unrestricted</u> |
|-------------------------------------|-------------------------|
| REVENUES AND SUPPORT | |
| School Board of Miami-Dade County | |
| FTE | \$ 5,874,030 |
| Capital Outlay | 234,815 |
| Class size reduction | 1,194,774 |
| Federal through State | 775,438 |
| Other local sources | 788,315 |
| TOTAL REVENUES AND SUPPORT | 8,867,372 |
| EXPENSES | |
| Instructional | 3,797,420 |
| School and general administration | 620,523 |
| Operation and maintenance of plant | 2,023,732 |
| Instructional-related technology | 238,237 |
| Instructional media | 6,355 |
| Board | 34,143 |
| Community services | 256,692 |
| Fiscal services | 577,171 |
| Food services | 548,695 |
| Pupil services | 694,851 |
| TOTAL EXPENSES | 8,797,819 |
| Change in net assets | 69,553 |
| NET ASSETS AT BEGINNING OF YEAR | 7,161,938 |
| PRIOR PERIOD ADJUSTMENT | (4,157,304) |
| NET ASSETS AT END OF YEAR | \$ 3,074,187 |

The accompanying notes are an integral part of the special purpose financial statements.

YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 69,553 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | |
| Depreciation | 153,234 |
| (Increase) decrease in: | |
| Accounts receivable | 12,621 |
| Due from Youth Co-Op, Inc. | (18,875) |
| Other assets | 511 |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 39,022 |
| Accrued payroll | 22,223 |
| Due to Youth Co-op, Inc. | (102,436) |
| | 175,853 |
| Net cash provided by operating activities | 175,853 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of property and equipment | (119,078) |
| Net cash (used in) investing activities | (119,078) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 56,775 |
| BEGINNING CASH AND CASH EQUIVALENTS | 6,834,773 |
| Prior period adjustment (See Note 9) | (4,157,304) |
| ADJUSTED BEGINNING CASH AND CASH EQUIVALENTS | 2,677,469 |
| ENDING CASH AND CASH EQUIVALENTS | \$ 2,734,244 |

The accompanying notes are an integral part of the special purpose financial statements.

YOUTH CO-OP CHARTER SCHOOL
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Youth Co-Op, Inc. (YCI or the Organization) was incorporated as a not-for-profit organization under the laws of the State of Florida on October 23, 1973, for the purpose of providing training, education and employment opportunities to low and moderate-income persons. In 1998, the Board of Directors and administration approved a plan to open a charter school since this was in line with the Organization's mission. The Organization obtained approval and opened Youth Co-Op Charter School (the Charter School or the School) for the 1998-1999 school year under a charter of the sponsoring school district, the Miami-Dade County Public School Board (the District or School Board). The original charter school's contract (the Contract) was effective for 10 years expiring in 2008. In 2008, the Contract with the School Board was renewed for another fifteen (15) years expiring in June 2023.

The Contract may be renewed for a term of five (5) years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board is required to notify the School in writing at least 90 days prior to the charter's termination. Pursuant to Section 1002.33(8) (e) of the Florida Statute, the 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 course of the charter, the School Board may also terminate the charter if good cause is shown.

Since this Charter School is a program of an existing not-for-profit organization, the accompanying special purpose financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applied to Not-for-Profit Organizations. The accompanying special purpose financial statements are included in the financial statements of Youth Co-Op, Inc. using the not-for-profit model of reporting.

At June 30, 2018, the School has a total number of 1,026 students enrolled from kindergarten through eight grades.

Reporting Entity

The accompanying special purpose financial statements are for Youth Co-Op Charter School, a program of YCI. The governing body of the Charter School consists of nine members of the YCI board of directors. All board members have been finger printed and processed as required by the state's school board law.

The Charter School and Youth Co-Op Preparatory High School, another program of YCI ("YCPHS"), report individually as required under Chapter 10.850 of the Florida Statute.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial Statement Presentation

For financial reporting purposes, Youth Co-Op Charter School is a program of Youth Co-Op, Inc. and is included in the Organization's annual financial statements.

The special purpose financial statements present the financial position, activities and change in net assets and cash flows for the Youth Co-Op Charter School only and do not include the assets, liabilities, net assets, statement of activities and changes in net assets, and cash flows of Youth Co-Op, Inc. (a not-for-profit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Youth Co-Op, Inc. as of June 30, 2018 or its results of operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Reporting Requirements

The accounts of the School are maintained on the accrual basis of accounting. In addition, the School is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted

Unrestricted group reflects the School's unrestricted activities that are not subject to grantor-imposed stipulations.

Temporarily Restricted

Temporarily restricted group reflects the School's activities and resulting net assets from grantors' restricted contributions that the School feels will be met, either by the passage of time or by actions of the School. The School has no temporarily restricted net assets.

Permanently Restricted

Permanently restricted group reflects the School's activities and resulting net assets from contributions and other inflows of assets whose use by the School is limited by grantor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organizations. The School has no permanently restricted net assets.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Federal and State grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditional promises to give. Unrestricted support increases unrestricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, short-term marketable investments purchased with an original maturity date of three months or less are considered to be cash equivalents. Included in cash, which is required to be kept in a separate bank account, are amounts received from students which are designated for use by student organizations only. These funds amounted to \$6,807 as of June 30, 2018, and are held in a separate bank account and due on demand.

Allowance for Doubtful Accounts

Management believes that all receivables are collectible; therefore, the School has not included an allowance for doubtful accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. The amount in accounts receivables consists of funds due from Miami- Dade County which amounted to \$19,035 as of June 30, 2018. No provision for uncollectible accounts was recorded during the year ended June 30, 2018.

Property and Equipment

Property and equipment are recorded at cost when purchased or constructed, or at fair market value when donated. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor imposed restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Normal repairs and maintenance are charged to expense as incurred.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment (continued)

Depreciation is recorded as an expense in the statement of activities and changes in net assets and is computed on the straight-line method over the estimated useful life:

| <u>Assets</u> | <u>Years</u> |
|------------------------|--------------|
| Educational materials | 3 |
| Furniture and fixtures | 5 |
| Property and equipment | 7 |
| Building cost | 35 |

The School capitalizes assets with a cost greater than \$1,000 and a useful life greater than one year.

Property and equipment are considered long-lived assets and are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value is impaired, the long-lived assets will be written down to their fair value with a corresponding charge to earnings. No such impairment was recorded for the fiscal year ended June 30, 2018.

Due to/from Youth Co-Op, Inc.

During the normal course of operation, the School receives/makes advances to Youth Co-Op, Inc. to cover eligible expenses of the Charter School. These advances are non-interest bearing and due on demand.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the period. Actual results could differ from those estimates. Significant estimates by management include the allocation of expenses between the School, and other related programs that are part of YCI. It is at least reasonably possible that management's opinion on these estimates will change in the near term.

Revenue Sources

Miami-Dade County Public Schools

Revenues reflect the funds received from Miami-Dade County Public Schools pursuant to Section 1011.62 of the Florida Statutes. Such revenues are determined based on (1) unweighted full time equivalent (FTE), multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62 (1)(e)2 of the Florida Statutes.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Sources (continued)

Miami-Dade County Public Schools (continued)

The Charter School's funding pursuant to the Florida Education Finance Program (FEFP) is subject to adjustments resulting from Full Time Equivalent (FTE) audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). In addition, the Charter School's Weighted Funding percentage as defined in the regulations represents the percentage of total state funding which would be at risk should certain specific records for the School's Exceptional Students Education (ESE) and English for Speakers of Other Languages (ESOL) programs not be maintained up to-standards.

Such records include the following:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A- 1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC)

Schools are required to maintain the documentation for three years or until the completion of an FTE audit.

In addition, the School receives state funds through the District under the charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District.

Other sources

The School receives federal awards for the enhancement of various educational programs. Federal awards are 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, revenues are recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

Youth Co-Op, Inc. is a not-for-profit entity and is exempt from income taxes under Section 501(c) 3 of the Internal Revenue Code of 1954 (as amended) under the classification of other than a private foundation. Therefore, the School is also exempt from income taxes as a program of Youth Co-Op, Inc. Accordingly, the special purpose financial statements reflect no provision for income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of June 30, 2018, the Organization does not believe it has taken any tax position for the School that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. YCI has determined that no amount is required to be accrued for taxes or related penalties and interest for any tax position taken through June 30, 2018. The Organization's federal tax returns are currently open for examination by the Internal Revenue Service. The statute of limitations is generally three years.

Indirect Cost

The Organization uses a provisional indirect cost rate of 10.61% of modified total direct cost for administrative services which is based on all direct salaries and fringe benefits charged to the programs, and is charged to those programs which allow for indirect cost allocation.

Date of Management Review

The School has evaluated subsequent events through September 17, 2018, which is the date that the special purpose financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Bank balances before reconciling items were \$3,108,248 as of June 30, 2018, of which \$2,734,244 was allocated to the School and \$2,092 was allocated to YCPHS. The total amount is insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "*Florida Security for Public Depository Act*". Under this act, all qualified public depositories are required to pledge eligible collateral having a fair value to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level.

3. PROPERTY AND EQUIPMENT- NET

Property and equipment as of June 30, 2018 consists of the following:

| | | |
|--------------------------------|----|-------------------|
| Property and equipment | \$ | 1,039,570 |
| Building cost | | 265,951 |
| Furniture and fixtures | | 296,428 |
| Educational materials | | 164,138 |
| | | <u>1,766,087</u> |
| Less: accumulated depreciation | | (1,110,792) |
| | | <u>\$ 655,295</u> |

Depreciation expense for the year ended June 30, 2018 amounted to \$153,234. Certain equipment was acquired with grant funds received from the grantors. Under terms of the grant agreement, the equipment reverts back to the grantor upon disposal.

4. CONTINGENCIES

Grants from the Government and Other Agencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the School. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Long-term obligations

In September 2015, the Board of Directors of Youth Co-Op, Inc. issued approximately \$19.6 million in 6.5% tax-exempt bonds (Series 2015A) and \$330,000 in 6% taxable bonds (Series 2015B) through the Miami-Dade County Industrial Development Authority. The funds were used to construct additional building facilities to be used by the Charter School and the YCPHS in order to increase enrollment and to refinance a previous mortgage and other debts of the schools and to pay the bond issuance costs. The bonds were issued based on, amongst other things, student enrollment and future revenue and expenses forecasted by the Schools. These bonds are not recorded in the accompanying special purpose financial statements as they are obligations of Youth Co-Op, Inc.

The Charter School and YCPHS have a space sharing agreement with YCI and remit an annual rental fee to YCI for the use of the facilities that were constructed using proceeds from the aforementioned bonds. Refer to Note 8 - Related Party Transactions.

5. MANAGEMENT FEE

Pursuant to the Charter School contract with the School Board, the School Board is paid a management fee of 2% of the qualifying revenues of the School. For the years ended June 30, 2018, management fees paid to the School Board amounted to approximately \$34,000.

6. EMPLOYEE BENEFIT PLAN

The Organization's profit-sharing plan and trust provides retirement, death and disability benefits for qualified full-time employees. The plan provides for annual contributions by the Organization to the trust, at the discretion of the Organization's Board of Directors. Annual Organization's contributions are allocable to participants based upon annual compensation with the School. The School's contribution to the plan for the year ended June 30, 2018 amounted to approximately \$286,000.

7. CURRENT VULNERABILITY DUE TO CONCENTRATION

For the fiscal year ended June 30, 2018, the School received approximately 90% of its support from the Miami-Dade County School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations.

8. RELATED-PARTY TRANSACTIONS

During the year, expenses specific to the School are paid by the Charter School or by YCI and then reimbursed by the Charter School. Amounts due to YCI for such expenses are due on demand. The transfers of funds occur between the Charter School and YCI as needed and are recorded as related party transactions. At June 30, 2018, the outstanding balance due to YCI was \$69,703.

Space Sharing Agreement

During the year ended June 30, 2018, the Charter School and YCPHS entered into a space sharing agreement with YCI for the schools' use of the buildings that were constructed using proceeds from the Series 2015A and 2015B bonds issued by YCI. Rent expense for the year ended June 30, 2018 was \$1,122,859.

Sponsor Organization

Effective July 1, 2017, in accordance with the Uniform guidance, YCI charged the School an indirect fee of 10.61% of modified total direct cost for administrative support services. These fees paid to YCI for the fiscal year ended June 30, 2018 were approximately \$512,000.

9. PRIOR PERIOD ADJUSTMENT

As discussed in Note 8 – Related Party Transactions, during 2018, the Charter School and YCPHS entered into a space sharing agreement with YCI for the schools' use of the buildings that were constructed using proceeds from the Series 2015A and 2015B bonds issued by YCI. Prior to 2018, no space sharing agreement existed, and the expenses related to the buildings used by the Charter School were recorded in a separate division of YCI, the Charter Management Division (CMD). Management prepared combined financial statements which included the Charter School, YCPHS and CMD in order to accurately present the financial condition and changes in net assets of the school group. Such financial statements were properly presented in accordance with accounting principles generally accepted in the United States of America and are not impacted by the prior period adjustment. Such combined financial statements were properly presented in accordance with accounting principles generally accepted in the United States of America and are not impacted by the prior period adjustment.

As a result of the above, prior to the year ended June 30, 2018, the Charter School did not reflect rent expense in its special purpose financial statements as no formal space sharing agreement was in place. Consequently, all costs related to the building were previously recorded in Youth Co-Op, Inc. via the CMD division. During 2018, the Charter School determined that a space sharing agreement was required to reflect the true financial condition and changes in net assets of the Charter School in its special purpose financial statements. As a result of the space sharing agreement, the Charter School recorded rent expense for the year ended June 30, 2018 of \$1,122,859.

Further, management determined that in order to account for prior years' expenses related to the Charter School that were previously recorded in CMD, a prior period adjustment was necessary to reduce its net assets and properly reflect its current financial condition. A corresponding reduction in the pooled cash allocated to the Charter School was also recorded. As such, a cumulative prior period adjustment of \$4,157,304 reflecting expenses from 2013 – 2017 has been recorded as a reduction to net assets and cash and cash equivalents in the accompanying statement of activities and changes in net assets and statement of cash flows.



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

To the Board of Directors of
Youth Co-Op, Inc.
(a not-for-profit organization)
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Co-Op Charter School (the School), a program of Youth Co-Op, Inc. (YCI) (a not-for-profit organization), operating as a charter of the Miami-Dade County Public Schools, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and of cash flows for the year then ended, and the related notes to the special purpose financial statements, and have issued our report thereon dated September 17, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GLSC & Company, PLLC

Miami, Florida
September 17, 2018

YOUTH CO-OP CHARTER SCHOOL
A Program of
YOUTH CO-OP, INC.
(a not-for-profit organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2018-001

| | |
|---|--|
| Condition: | Expenses related to fixed assets utilized by the School were not properly allocated between programs of Youth Co-Op, Inc. (YCI) |
| Criteria: | Management is responsible for maintaining accurate accounting records for each of its programs to ensure maintenance of proper books and records. |
| Cause: | The School does not have effective internal controls over financial reporting to ensure expenses related to fixed assets utilized by multiple programs are properly allocated. |
| Effect: | The special purpose financial statements of individual YCI programs (e.g. the School) may not accurately reflect expenses in the books and records of the program resulting in a material misstatement of the special purpose financial statements. |
| Recommendation: | The Company should implement effective internal controls to analyze the expenses of each YCI that reports on an individual program basis to ensure all expenses have been appropriately allocated. |
| View of Management and Planned Corrective Actions: | Management began appropriately allocating rent expense during 2018 upon execution of the space sharing agreement and will continue to perform such allocation for purposes of the special purpose financial statements as long as the buildings and/or other fixed assets are utilized by multiple programs. |

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors of
Youth Co-Op, Inc.
(a not-for-profit organization)
Miami, Florida

Report on the Special Purpose Financial Statements

We have audited the special purpose financial statements of Youth Co-Op Charter School (the Charter School or School), a program of Youth Co-Op, Inc. (a not-for-profit organization), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 17, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reports

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 Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated September 17, 2018, 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 or recommendations made in the preceding audit report which was issued by other auditors.

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 entity is Youth Co-Op Charter School.

Financial Condition and Management

Section 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Youth Co-Op Charter School has met one or more of conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Youth Co-Op Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Pursuant to Section 10.854(1)(e) 6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Youth Co-Op Charter School. It is management's responsibility to monitor Youth Co-Op Charter School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we identified the recommendation included in item 2018-001 in the accompanying Schedule of Findings and Questioned Costs.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Youth Co-Op Charter School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Youth Co-Op Charter School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)4, Rules of the Auditor General, requires us to communicate 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, except for the material weakness identified in connection with a prior period adjustment which has been included as item 2018-001 in the accompanying Schedule of Findings and Questioned Costs.

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, applicable management, and the Miami-Dade County Public School Board is not intended to be and should be used by anyone other than these specified parties.

GLSC & Company, PLLC

Miami, Florida
September 17, 2018