

**YOUTH CO-OP CHARTER SCHOOL  
A Program of  
YOUTH CO-OP, INC.  
(a nonprofit organization)**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 2007 and 2006**

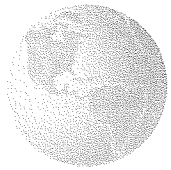


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A Program of  
YOUTH CO-OP, INC.  
(a nonprofit organization)

SPECIAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2007 and 2006

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Youth Co-Op, Inc.  
(a nonprofit 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. (a nonprofit organization) as of and for the year ended June 30, 2007 as listed in the table of contents. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit. The special purpose financial statements of Youth Co-Op Charter School as of June 30, 2006, were audited by other auditors whose report dated August 29, 2006, expressed an unqualified opinion on those financial statements.

We conducted our audits 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose 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 opinion.

As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the School referred to above, which is a program of Youth Co-Op, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Youth Co-Op, Inc. (a nonprofit 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, 2007 and 2006 or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors of  
Youth Co-Op, Inc.  
(a nonprofit organization)  
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2007, 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.

BKR Garcia & Company PLLC

August 31, 2007



**AUDIT COMPLETION CHECKLIST  
FOR CHARTER SCHOOLS AND OTHER ORGANIZATIONS  
MIAMI-DADE COUNTY PUBLIC SCHOOLS**

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (Chapter 10.850). Please share this checklist with your external auditor.

- X   1. The name and address of the school.
- X   2. The name of the principal running the school.
- X   3. Current list of the Board of Directors of the school.
- 4. If the school is operated by a management company:
  - X   a. Name of the company
  - X   b. Address
  - X   c. List of principal officials
  - X   d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- X   5. The financial statements must include comparative totals for the prior year.
- X   6. The financial statements must comply with GASB 34 requirements, if applicable.
- 7. In the footnotes of the financial statements, the following should be disclosed:
  - X   a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
  - X   b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
  - N/A c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
  - X   d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
  - N/A e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
  - N/A f. Any disclosure of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc.).
- N/A 8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- X   9. If there are Management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues noted in the Management Letter.
- 10. Please enter the following information about the Certified Public Accountant issuing the audit report:

CPA's Name   BKR GARCIA & COMPANY    
 CPA's Address   1110 BRICKELL AVENUE , MIAMI, FL 33131    
 License No.   AD64298   Status   ACTIVE    
 Expiration Date   12/31/2007  

In reference to this checklist, please refer any questions to the Office of Management and Compliance Audits, attention Mr. Norberto Ferradaz, CPA (305) 995-1318.

Please forward a copy of the completed checklist with your audit.

YOUTH CO-OP CHARTER SCHOOL  
A Program of  
YOUTH CO-OP, INC.  
(a nonprofit organization)

STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

|  | 2007             | 2006             |
|--|------------------|------------------|
| ASSETS   |                  |                  |
| Cash and cash equivalents                      | \$ 1,570,316     | \$ 697,163       |
| Due from Miami-Dade County School Board        |                  |                  |
| - State of Florida Capital Outlay Distribution | 401,456          | 344,184          |
| Due from Youth Co-Op, Inc.                     | 183,661          | 233,000          |
| Other receivables                              | 1,175            | -                |
| Prepaid expenses                               | -                | 3,150            |
|  | 2,156,608        | 1,277,497        |
| <br>Fixed Assets, net                          | <br>694,836      | <br>968,459      |
| <br>Other Assets                               |                  |                  |
| Deposits                                       | 14,250           | 14,250           |
| <br>TOTAL ASSETS                               | <br>\$ 2,865,694 | <br>\$ 2,260,206 |
| LIABILITIES AND NET ASSETS                     |                  |                  |
| LIABILITIES                                    |                  |                  |
| Accounts payable and accrued expenses          | \$ 94,182        | \$ 55,948        |
| Accrued payroll                                | 253,127          | 171,935          |
| TOTAL LIABILITES                               | 347,309          | 227,883          |
| <br>NET ASSETS                                 |                  |                  |
| Unrestricted                                   | 2,116,929        | 1,688,139        |
| Temporarily restricted                         | 401,456          | 344,184          |
| TOTAL NET ASSETS                               | 2,518,385        | 2,032,323        |
| <br>TOTAL LIABILITIES AND NET ASSETS           | <br>\$ 2,865,694 | <br>\$ 2,260,206 |

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

**YOUTH CO-OP CHARTER SCHOOL**  
**A Program of**  
**YOUTH CO-OP, INC.**  
**(a nonprofit organization)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

|  | <u>Unrestricted</u>     | <u>Temporarily Restricted</u> | <u>Total</u>            |
|--|-------------------------|-------------------------------|-------------------------|
| <b>REVENUES, SUPPORT AND TRANSFERS</b>           |                         |                               |                         |
| School Board of Miami-Dade County - FTE          | \$ 2,640,751            | \$ -                          | \$ 2,640,751            |
| - Capital Outlay                                 | -                       | 409,182                       | 409,182                 |
| - School Recognition                             | 51,550                  | -                             | 51,550                  |
| - Class size reduction                           | 378,768                 | -                             | 378,768                 |
| Federal through State                            | 390,314                 | -                             | 390,314                 |
| Interest   | 12,170                  | -                             | 12,170                  |
| Other local sources                              | 157,694                 | -                             | 157,694                 |
| <br><b>NET ASSETS RELEASED FROM RESTRICTIONS</b> |                         |                               |                         |
| Satisfaction of program restrictions             | <u>351,910</u>          | <u>(351,910)</u>              | <u>-</u>                |
| <br><b>TOTAL REVENUES, SUPPORT AND TRANSFERS</b> | <br><u>3,983,157</u>    | <br><u>57,272</u>             | <br><u>4,040,429</u>    |
| <br><b>EXPENSES</b>                              |                         |                               |                         |
| Instructional                                    | 1,695,336               | -                             | 1,695,336               |
| Pupil personnel services                         | 32,008                  | -                             | 32,008                  |
| School and general administration                | 244,023                 | -                             | 244,023                 |
| Operation of plant                               | 254,594                 | -                             | 254,594                 |
| Maintenance of plant                             | 33,448                  | -                             | 33,448                  |
| Fiscal services                                  | 507,120                 | -                             | 507,120                 |
| Food services                                    | 203,871                 | -                             | 203,871                 |
| Central services                                 | 285,940                 | -                             | 285,940                 |
| Intructional media                               | 98,987                  | -                             | 98,987                  |
| Depreciation                                     | <u>199,040</u>          | <u>-</u>                      | <u>199,040</u>          |
| <br><b>TOTAL EXPENSES</b>                        | <br><u>3,554,367</u>    | <br><u>-</u>                  | <br><u>3,554,367</u>    |
| <br><b>CHANGE IN NET ASSETS</b>                  | <br>428,790             | <br>57,272                    | <br>486,062             |
| <br><b>NET ASSETS AT BEGINNING OF YEAR</b>       | <br><u>1,688,139</u>    | <br><u>344,184</u>            | <br><u>2,032,323</u>    |
| <br><b>NET ASSETS AT END OF YEAR</b>             | <br><u>\$ 2,116,929</u> | <br><u>\$ 401,456</u>         | <br><u>\$ 2,518,385</u> |

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

**YOUTH CO-OP CHARTER SCHOOL**  
**A Program of**  
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**(a nonprofit organization)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>REVENUES, SUPPORT AND TRANSFERS</b>           |                     |                                   |                     |
| School Board of Miami-Dade County - FTE          | \$ 2,527,665        | \$ -                              | \$ 2,527,665        |
| - Capital Outlay                                 | -                   | 228,601                           | 228,601             |
| - School Recognition                             | 52,500              | -                                 | 52,500              |
| - Class size reduction                           | 278,830             | -                                 | 278,830             |
| Federal through State                            | 493,640             | -                                 | 493,640             |
| Interest   | 27,862              | -                                 | 27,862              |
| Other local sources                              | 230,660             | -                                 | 230,660             |
| <b>NET ASSETS RELEASED FROM<br/>RESTRICTIONS</b> |                     |                                   |                     |
| Satisfaction of program restrictions             | <u>75,453</u>       | <u>(75,453)</u>                   | <u>-</u>            |
| <b>TOTAL REVENUES, SUPPORT<br/>AND TRANSFERS</b> | <u>3,686,610</u>    | <u>153,148</u>                    | <u>3,839,758</u>    |
| <b>EXPENSES</b>                                  |                     |                                   |                     |
| Instructional                                    | 1,566,561           | -                                 | 1,566,561           |
| Pupil personnel services                         | 21,494              | -                                 | 21,494              |
| School and general administration                | 245,565             | -                                 | 245,565             |
| Operation of plant                               | 245,820             | -                                 | 245,820             |
| Maintenance of plant                             | 26,034              | -                                 | 26,034              |
| Fiscal services                                  | 491,470             | -                                 | 491,470             |
| Food services                                    | 206,382             | -                                 | 206,382             |
| Central services                                 | 265,995             | -                                 | 265,995             |
| Intructional media                               | 61,739              | -                                 | 61,739              |
| Depreciation                                     | <u>312,727</u>      | <u>-</u>                          | <u>312,727</u>      |
| <b>TOTAL EXPENSES</b>                            | <u>3,443,787</u>    | <u>-</u>                          | <u>3,443,787</u>    |
| <b>CHANGE IN NET ASSETS</b>                      | 242,823             | 153,148                           | 395,971             |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>           | <u>1,445,316</u>    | <u>191,036</u>                    | <u>1,636,352</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                 | <u>\$ 1,688,139</u> | <u>\$ 344,184</u>                 | <u>\$ 2,032,323</u> |

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



**YOUTH CO-OP CHARTER SCHOOL**  
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**(a nonprofit organization)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

|   | 2007         | 2006       |
|---|--------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |            |
| Change in net assets  | \$ 486,062   | \$ 395,971 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |              |            |
| Depreciation  | 199,040      | 312,727    |
| (Increase) Decrease in:   |              |            |
| Due from School Board of Miami-Dade County  |              |            |
| - State of Florida Capital Outlay Distribution  | (57,272)     | (153,148)  |
| Due from Youth Co-Op, Inc.  | 49,339       | (233,000)  |
| Other receivable  | (1,175)      | -          |
| Prepaid expenses  | 3,150        | (1,876)    |
| Increase (Decrease) in:   |              |            |
| Accounts payable and accrued expenses   | 38,234       | 45,698     |
| Accrued payroll   | 81,192       | (9,912)    |
| Due to Youth Co-Op, Inc.  | -            | (164,607)  |
| Total adjustments   | 312,508      | (204,118)  |
| Net cash provided by operating activities:  | 798,570      | 191,853    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |            |
| Purchase of property and equipment  | (116,863)    | (370,300)  |
| Proceeds from insurance recovery  | 191,446      | -          |
| Net cash provided by (used in) investing activities   | 74,583       | (370,300)  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | 873,153      | (178,447)  |
| <b>BEGINNING CASH AND CASH EQUIVALENTS</b>  | 697,163      | 875,610    |
| <b>ENDING CASH AND CASH EQUIVALENTS</b>   | \$ 1,570,316 | \$ 697,163 |

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

**YOUTH CO-OP CHARTER SCHOOL**  
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**(a nonprofit organization)**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Youth Co-Op, Inc. (the "Organization") was incorporated as a not-for-profit organization under the laws of the State of Florida on May 9, 1974, 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. On May 13, 1998, the Miami-Dade County Public School approved the application submitted by the Board of Directors of the Organization for the creation of Youth Co-Op Charter School (the "School"). The School is accounted for as program of Youth Co-Op, Inc. The governing body of the School is the Organization's Board of Directors which comprises of eleven (11) members.

The School operated under the charter of the sponsoring school district, the Miami-Dade County Public District School Board (the "School Board"). The current charter is effective for five (5) years expiring in January 2008 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board 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 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 course of the charter, the School Board may also terminate the charter if good caused is shown.

At June 30, 2007, the School has a total number of 502 students enrolled from kindergarten through eight grades.

**Governance Structure**

The Board of Directors of Youth Co-Op, Inc. serves as the governing body of the School on voluntary basis and is consists of the following members:

|                        |               |
|------------------------|---------------|
| Francisco Valladares   | Chairman      |
| Mario Hernandez-Fumero | Vice-Chairman |
| Jose Riesco            | Treasurer     |
| Ania Diaz              | Secretary     |
| Peter Bernal           | Member        |
| Fidel Garcia           | Member        |
| Mayra Joli             | Member        |
| Gerard Kouri, Jr.      | Member        |
| Francisco Sitjes       | Member        |
| Elena Zapatero Herrera | Member        |

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

**Financial Statements Presentation**

For financial reporting purpose, 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 positions, activities and cash flows for the Youth Co-Op Charter School only and do not include the assets, liabilities, net assets and statement of activities and cash flows of Youth Co-Op, Inc (a nonprofit 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, 2007 and 2006 or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

**Promises to Give**

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

**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 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.

**Restricted and Unrestricted Revenue and Support (Continued)**

Funds provided by the School Board through the State's Charter School Capital Outlay Funding pursuant to Section 1002.33(19) of the Florida Statutes are recorded primarily as temporarily restricted support until the Organization submits a Capital Outlay Plan to the School Board and the School Board accepts the Capital Outlay Plan and release the funds.

Funds received from the School Board and the State of Florida for the operations of the Charter School is recorded as exchange transactions.

**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.

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

**Allowance for Doubtful Accounts**

Management believes that all receivables are collectible; therefore, the School has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. There were no uncollectible accounts during the year ended June 30, 2007.

**Property and Equipment**

Purchases of depreciable assets are recorded at cost. Assets purchased with funds with explicit restrictions regarding their use and restrictions on the disposition of those assets are reported as temporarily restricted support. The School reclassifies temporarily restricted net assets to unrestricted net assets by releasing the depreciation charged for those assets during the period. Normal repairs and maintenance are charged to expense as incurred. Depreciation is recorded as an expense of Unrestricted Net Assets and is computed on the straight-line method over the estimated useful life:

| <u>Assets</u>          | <u>Years</u> |
|------------------------|--------------|
| Property and equipment | 5            |
| Furniture and fixture  | 7            |
| Leasehold improvements | 5-20         |

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

**Due from Youth Co-Op, Inc.**

The School made cash advances to Youth Co-Op, Inc.'s current unrestricted fund to cover eligible expenses of the Charter School. The advances are non-interest bearing and due on demand.

**Revenue Source**

Revenue for current operations is received primarily from the School Board pursuant to the funding provisions included in the School's Charter and Section 1002.33(17) of the Florida Statutes. Such revenues are determined based on the estimated number of full-time equivalent (FTE) students and related data reported by the School to the Department of Education (DOE) for funding through the Florida Education Finance Program (FEFP). The estimated FTE and the actual weighted FTE reported by the School during the year to reflect the revised calculation by the FDOE under the FEFP and the actual weighted FTE reported by the School during designated FTE survey periods.

**Income Taxes**

The School 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; accordingly, the financial statements reflect no provision for income taxes.

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

**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.

**Reclassifications**

Certain amounts in the 2006 financial statements presentation have been reclassified to conform to the 2007 presentation.

2. **TEMPORARILY RESTRICTED NET ASSETS**

During the fiscal year 2007 and 2006, the School Board received an additional \$409,182 and \$228,601, respectively, of Section 1002.33(19) of the Florida Statutes, Charter School Capital Outlay Funding from the State on behalf of the School. The funds have been deposited with the School Board and will be distributed one the School incur expenses in accordance with approved Capital Outlay Plans by the School Board and follow other guidelines developed by the Florida Department of Education. As of June 30, 2007 and 2006, the School recorded a receivable from the School Board of \$401,456 and \$344,184, respectively, and recorded the amount as temporarily restricted support. In 2007 and 2006, the School released \$351,910 and \$75,453, respectively, from restrictions by incurring expenses in accordance with approved Capital Outlay Plans.

3. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

|                                | <u>2007</u>        | <u>2006</u>        |
|--------------------------------|--------------------|--------------------|
| Property and equipment         | \$ 358,222         | \$ 358,222         |
| Furniture and fixtures         | 75,430             | 70,455             |
| Leasehold improvement          | <u>1,588,277</u>   | <u>1,667,835</u>   |
|                                | 2,021,929          | 2,096,512          |
| Less: accumulated depreciation | <u>(1,327,093)</u> | <u>(1,128,053)</u> |
|                                | <u>\$ 694,836</u>  | <u>\$ 968,459</u>  |

Depreciation expenses for the year ending June 30, 2007 and 2006 amounted to \$199,040 and \$312,727.

**4. COMMITMENTS**

The School program operates from a leased facility, which expires on January 31, 2013. Annual rental for such lease amounted to approximately to \$85,975 subject to annual rate adjustment based on the Consumer Price Index (CPI) as published by U.S. Department of Labor, Bureau of Labor Statistics. The Charter School's rent expenses for the year ended June 30, 2007 and 2006 amounted to \$85,975 and \$82,509, respectively.

Minimum rental payments for the remainder of the lease term are as follows:

|                 |                   |
|-----------------|-------------------|
| <u>June 30,</u> |                   |
| 2008            | \$ 85,975         |
| 2009            | 85,975            |
| 2010            | 85,975            |
| 2011            | 85,975            |
| 2012-2013       | <u>128,962</u>    |
|                 | <u>\$ 472,862</u> |

**5. 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.

**Grand Jury**

On June 22, 2006, the Organization was served with a subpoena to produce certain documents and records in connection with an investigation by a Grand Jury impaneled by the United States District Court for the Southern District of Florida. The Organization is complying with the subpoena. Management is unable to predict when the Grand Jury's investigation will be concluded or its outcome.

**6. MANAGEMENT FEE**

Pursuant to the Charter School contract with the School Board, the School Board is paid a management fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2007 and 2006, management fees paid to the School Board amounted to \$148,282 and \$136,310, respectively.

**7. EMPLOYEE BENEFIT PLAN**

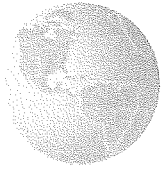
The Organization's profit-sharing plan and trust provides retirement, death and disability benefits for qualified employees. The plan provides for annual contributions by the Organization to the trust, at the discretion of the Organization's Board of Directors. Annual Organization's contributions are allocable to participants based upon annual compensation with the School. The School's contribution to the plan for the year ended June 30, 2007 and 2006 amounted to \$121,279 and \$106,251, respectively.

**8. CURRENT VULNERABILITY DUE TO CONCENTRATION**

The School has adopted SOP 94-6 which requires disclosure of vulnerable concentration of exposed risk. For the fiscal year ended June 30, 2007 and 2006, the School received approximately 76% and 74%, respectively, 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 cut at the School Board, which could affect the School and its ability to continue operations.

**9. CONCENTRATION OF CREDIT RISK**

The School maintains bank accounts at four banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash in one of the institution exceeded the federally insured limits. The amount in excess of the FDIC limit totaled to approximately \$1,196,000 as of June 30, 2007.



**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 nonprofit organization)

We have audited the special purpose financial statements of Youth Co-Op Charter School (the "School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. 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**

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 opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



To the Board of Directors of  
Youth Co-Op, Inc.  
(a nonprofit organization)

**Compliance and Other Matters**

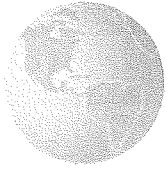
As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we report to management in the schedule of findings as item 2006-01 and 2007-01.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings on pages 17 and 18. We did not audit the School's response and, accordingly, we express no opinion on it.

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

BKR Garcia & Company PLLC

August 31, 2007



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Directors of  
Youth Co-Op, Inc.  
(a nonprofit organization)

We have audited the special purpose financial statements of the Youth Co-Op Charter School as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General. We also issued our report on internal control over financial reporting and on compliance and other matters; which is dated August 31, 2007, and should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.856(2) as required by the Auditor General of the State of Florida. Accordingly in connection with our audit of the basic financial statements of the School, as described in the first paragraph, we report the following:

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. The School has not met any of the conditions described in Section 218.503(1), Florida Statutes
3. There were no violations of laws, rules, regulations, and contractual provisions or abuse, that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit, except as reported in the Schedule of Findings as item 2007-01.
4. There were no improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
5. The recommendation made in the preceding annual financial audit report to improve financial management, accounting procedures and internal control was not implemented (See 2006-01 in Schedule of Findings)
6. The name of the charter school is Youth Co-Op Charter School.

To the Board of Directors of  
Youth Co-Op, Inc.  
(a nonprofit organization)

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

BKR Garcia & Company PLLC

August 31, 2007



**YOUTH CO-OP CHARTER SCHOOL**  
A Program of  
**YOUTH CO-OP, INC.**  
(a nonprofit organization)

**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**I. CURRENT YEAR FINDINGS**

**2007-01 School Internal Funds**

**Condition:**

During our audit, we noted that the funds collected by and used for students are commingled with the general operating account of the School and that the School is not accounting for the financial transactions of the school organizations on a separate school internal funds as prescribed by the "Financial and Program Cost Accounting and Reporting for Florida Schools", commonly called the "Red Book", Chapter 7 – School Internal Funds.

In addition, the Red Book further prescribed that internal fund which is temporarily idle shall, as required by law, be invested.

**Recommendation:**

We recommend that the School's internal funds be accounted for and deposited separately from the School's general operating account and any temporarily idle cash be deposited in an interest bearing account.

**Management Response:**

Youth Co-Op Charter School has a separate bank account for the funds collected and used for students. At present, only the student lunch money and expenditures are being deposited in this account. Commencing on September 4, 2007, Youth Co-Op will take the following action: a) We will convert that account into an interest bearing account to comply with the Red Book requirements; b) All internal funds will be deposited in this separate account; and, c) Youth Co-Op will set up a separate account within our chart of accounts for the internal funds and their use

**II. PRIOR YEAR FINDINGS**

**2006-01 Report Preparation**

**Condition:**

During the course of our audit, we noted that even though the Organization is keeping its books of original entry through a third party accounting system and/or software, it also maintains a separate excel based system to account for the transactions of the Charter School because it facilitates the preparation of the Charter School's required reports.

The Organization's third party accounting system and/or software is designed with a system of checks and balance not available in the excel based system. As a result, we noted a significant adjustment made at the end of the reporting period to correct an erroneous formula on the excel system. In addition, we also noted that the Charter School's interfund account with corporate in the excel system had not been reconciled to the books of original entry for the year.

**YOUTH CO-OP CHARTER SCHOOL**  
**A Program of**  
**YOUTH CO-OP, INC.**  
**(a nonprofit organization)**

**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**II. PRIOR YEAR FINDINGS (CONTINUED)**

**2006-01 Report Preparation (Continued)**

**Recommendation:**

The Organization should consider the possibility of using the third party accounting system and/or software reporting capabilities to produce all required reports of the Organization including those of the Charter School and thus avoid duplicity, errors, and gain efficiency.

**Current Year Status:**

Management is still using the excel based system to account for the School's transaction to prepare the monthly and quarterly reports submitted to Miami-Dade County Public School Board.

**Management Response:**

Youth Co-Op's accounting system and procedures have been undergoing changes during the last two years. These include the phasing in of accounting modules and the training of staff in the procedures. Because the accounting staff was short-handed as a result of the serious illness of a key staff member for the past two years, there have been delays in the timeline for implementing these changes, which have required management to manually prepare the required reports.

Since, we have reorganized the staffing pattern and provided training to enable the department to operate more effectively.

- 1) Jorge Pichardo has replaced Luis Fernandez (deceased) as Finance Director as of July 2007.
- 2) Michael Aristondo was hired in January 2007 as an Accountant.
- 3) A payroll clerk was hired in April 2007.
- 4) An accounts payable clerk was hired in July 2007.
- 5) All staff has received on-going training in the specific modules of the accounting software and processes.

These changes will permit Youth Co-Op to track all cash receipts on a regular basis and a proper supervision of the accounting functions (posting, etc.) and improve the overall flow of operations.

Some modules of current computer accounting system cannot be upgraded to meet the reporting needs of the organization. The change recommended by our auditors has been taken into consideration and we are currently evaluating new software specialized for the non-profit and charter school accounting. This will enable us to generate all the necessary functional expense reports, variance reports, and other useful management tools through the accounting system. A request to Youth Co-Op, Inc.'s main funding source (SFWIB) to approve the purchase of new software for the accounting