

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

BASIC FINANCIAL STATEMENTS

June 30, 2014

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
BASIC FINANCIAL STATEMENTS
June 30, 2014

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BASIC FINANCIAL STATEMENTS

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BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information 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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2014, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014 and 2013.

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, 2014, the School's fund balance was \$ 437,367.
- As of June 30, 2014, the School has a net position of \$ 822,829, as compared to \$ 837,969 as of June 30, 2013.

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 position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the year. All changes in net position 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, 2014

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 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This School has been in operation for twelve years; therefore, comparative government-wide data is presented. The School's net position was \$ 822,829 at June 30, 2014. Of this amount, \$ 423,131 represented unrestricted net position and \$ 399,698 represented net investment in capital assets. The School's net position was \$ 837,969 at June 30, 2013. Of this amount, \$ 454,682 represented unrestricted net position and \$ 383,287 represented net investment in capital assets.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

The Downtown Miami Charter School, Inc.
Net Position

	June 30, 2014	June 30, 2013
ASSETS:		
Current and other assets	\$ 704,888	\$ 1,043,893
Capital assets, net of depreciation	<u>399,698</u>	<u>383,287</u>
Total assets	<u>1,104,586</u>	<u>1,427,180</u>
LIABILITIES:		
Current liabilities	278,198	586,691
Long-term liabilities	<u>3,559</u>	<u>2,520</u>
Total liabilities	<u>281,757</u>	<u>589,211</u>
NET POSITION:		
Net investment in capital assets	399,698	383,287
Unrestricted	<u>423,131</u>	<u>454,682</u>
Total net position	<u>\$ 822,829</u>	<u>\$ 837,969</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 8. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2014 and 2013:

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

	June 30, 2014	June 30, 2013
REVENUES:		
General revenues	\$ 4,234,180	\$ 3,899,832
Program revenues	<u>983,938</u>	<u>930,232</u>
Total revenues	<u>5,218,118</u>	<u>4,830,064</u>
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	2,469,915	2,344,667
Instructional support services	1,763,400	1,616,283
Operation of non-instructional services	<u>999,943</u>	<u>932,422</u>
Total governmental activities	<u>5,233,258</u>	<u>4,893,372</u>
Change in net position	<u>\$ (15,140)</u>	<u>\$ (63,308)</u>

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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	2014		2013	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,614,803	50.0%	\$ 2,414,830	47.2%
Plant operations and maintenance	1,146,147	21.9%	1,130,362	21.9%
Fiscal services	517,535	9.9%	476,924	9.3%
Food services	368,258	7.0%	363,660	7.1%
School administration	351,032	6.7%	347,487	6.8%
All other functions/programs	237,658	4.5%	394,604	7.7%
Total governmental expenditures	\$ 5,235,433	100.0%	\$ 5,127,867	100.0%

CAPITAL ASSETS

Capital Assets

At June 30, 2014, the School had capital assets of \$ 399,698, net of accumulated depreciation, invested in improvements other than buildings and machinery and equipment, as compared to \$ 383,287 at June 30, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were favorable to the budget for the year mainly due to the per student funding rate which was higher than budgeted.

Expenditures were also favorable mainly due to savings related to the School's treatment as high performing and therefore paying a 2% administrative fee rather than 5% as budgeted.

Overall, the School ended the year with a change in fund balance that was approximately \$ 168,000 favorable to the budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida is projecting a 2.6% funding increase in per student revenue for the next fiscal year. This increase is reflected in the per student Florida Education Finance Program (FEFP) funding for the School.

Capital outlay funding is expected to decrease with a reduction in the overall funding pool for all charter schools. A reduction in capital outlay funding of approximately 33% has been budgeted in the coming fiscal year to account for this and the dilution effect resulting from a greater number of schools being included in the pool.

Expenditures are budgeted to rise in proportion to the expected growth at the School. A 2% merit pay increase pool has been built into the budgets for all eligible 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; 800 Corporate Drive, Suite 124; Ft. Lauderdale, Florida 33334.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
June 30, 2014

A S S E T S

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 645,752
Other receivables	21,453
Due from management company	1,500
Due from other governments	23,166
Prepaid expenditures	6,182
Deposits	<u>6,835</u>
Total current assets	704,888
NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>399,698</u>
Total assets	<u>1,104,586</u>

L I A B I L I T I E S A N D N E T P O S I T I O N

CURRENT LIABILITIES:	
Accounts payable	26,415
Salaries and wages payable	241,106
Compensated absences	<u>10,677</u>
Total current liabilities	<u>278,198</u>
NONCURRENT LIABILITIES:	
Compensated absences	<u>3,559</u>
Total noncurrent liabilities	<u>3,559</u>
Total liabilities	<u>281,757</u>
COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)	-
NET POSITION:	
Net investment in capital assets	399,698
Unrestricted	<u>423,131</u>
Total net position	\$ <u><u>822,829</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, 2014

		Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS:					
Instruction	\$ 2,469,915	\$ -	\$ 237,607	\$ -	\$ (2,232,308)
Pupil personnel services	194,130	-	-	-	(194,130)
Instructional media services	6,659	-	-	-	(6,659)
Instruction and curriculum development services	5,151	-	-	-	(5,151)
Instructional staff training services	3,259	-	-	-	(3,259)
Instruction related technology	18,332	-	18,332	-	-
School board	14,948	-	-	-	(14,948)
School administration	353,586	-	-	-	(353,586)
Fiscal services	517,535	-	-	-	(517,535)
Food services	368,258	652	325,474	-	(42,132)
Central services	32,249	-	-	-	(32,249)
Operation of plant	1,096,962	-	-	273,757	(823,205)
Maintenance of plant	85,321	-	-	-	(85,321)
Community services	66,953	110,074	18,042	-	61,163
Total governmental activities	\$ <u>5,233,258</u>	\$ <u>110,726</u>	\$ <u>599,455</u>	\$ <u>273,757</u>	<u>(4,249,320)</u>
General revenues:					
Grants and entitlements					4,204,529
Other income					29,651
Total general revenues					<u>4,234,180</u>
Change in net position					(15,140)
Net position, July 1, 2013					<u>837,969</u>
Net position, June 30, 2014					\$ <u><u>822,829</u></u>

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, 2014

A S S E T S

	General Fund	Special Revenue Fund	Capital Project Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and cash equivalents	\$ 645,752	\$ -	\$ -	\$ 645,752
Other receivables	21,453	-	-	21,453
Due from management company	1,500	-	-	1,500
Due from other governments	-	-	23,166	23,166
Due from other funds	23,166	-	-	23,166
Prepaid expenditures	6,182	-	-	6,182
Deposits	6,835	-	-	6,835
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>704,888</u>	\$ <u>-</u>	\$ <u>23,166</u>	\$ <u>728,054</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 26,415	\$ -	\$ -	\$ 26,415
Salaries and wages payable	241,106	-	-	241,106
Due to other funds	-	-	23,166	23,166
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	267,521	-	23,166	290,687

COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)	-	-	-	-
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FUND BALANCES:				
Unassigned				
Prepaid expenditures	6,182	-	-	6,182
Deposits	6,835	-	-	6,835
Assigned to subsequent year's budget	111,566	-	-	111,566
Unassigned	312,784	-	-	312,784
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	437,367	-	-	437,367
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>704,888</u>	\$ <u>-</u>	\$ <u>23,166</u>	\$ <u>728,054</u>

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 POSITION
June 30, 2014

TOTAL FUND BALANCE OF GOVERNMENTAL FUND, PAGE 9	\$ 437,367
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Amounts reported for governmental activities in the
statement of net position are different because:

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

Cost of capital assets	\$ 909,664	
Less accumulated depreciation	<u>(509,966)</u>	399,698

Liabilities not payable with current available resources
are not reported as fund liabilities in the governmental
fund statements. All liabilities both current and
long-term, are reported in the government-wide
statements.

Compensated absences	<u>(14,236)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$ <u><u>822,829</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, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Project Fund	Total
REVENUES:				
Federal through state	\$ -	\$ 503,342	\$ -	\$ 503,342
State sources	4,290,816	9,826	273,757	4,574,399
Local sources	30,303	-	-	30,303
Aftercare	110,074	-	-	110,074
	<u>4,431,193</u>	<u>513,168</u>	<u>273,757</u>	<u>5,218,118</u>
Total revenues	<u>4,431,193</u>	<u>513,168</u>	<u>273,757</u>	<u>5,218,118</u>
EXPENDITURES:				
Instruction	2,236,703	151,320	-	2,388,023
Pupil personnel services	193,379	-	-	193,379
Instructional media services	6,659	-	-	6,659
Instruction and curriculum development services	5,151	-	-	5,151
Instructional staff training services	3,259	-	-	3,259
Instruction related technology	-	18,332	-	18,332
School Board	14,948	-	-	14,948
School administration	351,032	-	-	351,032
Facilities acquisition and construction	123,508	-	-	123,508
Fiscal services	517,535	-	-	517,535
Food services	42,784	325,474	-	368,258
Central services	32,249	-	-	32,249
Operation of plant	787,069	-	273,757	1,060,826
Maintenance of plant	85,321	-	-	85,321
Community services	48,911	18,042	-	66,953
	<u>4,448,508</u>	<u>513,168</u>	<u>273,757</u>	<u>5,235,433</u>
Total expenditures	<u>4,448,508</u>	<u>513,168</u>	<u>273,757</u>	<u>5,235,433</u>
Net change in fund balance	(17,315)	-	-	(17,315)
FUND BALANCES, July 1, 2013	<u>454,682</u>	<u>-</u>	<u>-</u>	<u>454,682</u>
FUND BALANCES, June 30, 2014	<u>\$ 437,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,367</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, 2014

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND, PAGE 11	\$ (17,315)
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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	\$	123,508	
Provision for depreciation		<u>(107,097)</u>	16,411

Certain items reported in the statement of activities do
not require the use of current financial resources and
therefore are not reported as expenditures in the
governmental funds:

Compensated absences	<u>(14,236)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$ <u>(15,140)</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, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
State sources	\$ 4,239,051	\$ 4,383,484	\$ 144,433
Local sources	46,171	30,303	(15,868)
Aftercare	<u>105,476</u>	<u>110,074</u>	<u>4,598</u>
Total revenues	<u>4,390,698</u>	<u>4,523,861</u>	<u>133,163</u>
EXPENDITURES:			
Instruction	2,224,271	2,236,703	(12,432)
Pupil personnel services	147,185	193,379	(46,194)
Instructional media services	-	6,659	(6,659)
Instruction and curriculum development services	5,000	5,151	(151)
Instructional staff training	4,248	3,259	989
School Board	15,288	14,948	340
School administration	327,861	351,032	(23,171)
Facilities acquisition and construction	146,703	123,508	23,195
Fiscal services	515,948	517,535	(1,587)
Food services	40,669	42,784	(2,115)
Central services	235,572	124,917	110,655
Operation of plant	775,242	787,069	(11,827)
Maintenance of plant	100,786	85,321	15,465
Community services	<u>37,128</u>	<u>48,911</u>	<u>(11,783)</u>
Total expenditures	<u>4,575,901</u>	<u>4,541,176</u>	<u>34,725</u>
Net change in fund balance	\$ <u><u>(185,203)</u></u>	\$ <u><u>(17,315)</u></u>	\$ <u><u>167,888</u></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, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Federal sources:			
National school lunch program	\$ 360,650	\$ 333,690	\$ (26,960)
Title I	155,556	151,320	(4,236)
Race to the Top	-	18,332	18,332
State sources:			
National school lunch program	<u>-</u>	<u>9,826</u>	<u>9,826</u>
Total revenues	<u>516,206</u>	<u>513,168</u>	<u>(3,038)</u>
EXPENDITURES:			
Regular instruction	155,556	151,320	4,236
Instruction related technology	-	18,332	(18,332)
Food services	334,650	325,474	9,176
Community services	<u>26,000</u>	<u>18,042</u>	<u>7,958</u>
Total expenditures	<u>516,206</u>	<u>513,168</u>	<u>3,038</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, 2014

A S S E T S

	<u>Student Activities</u>
ASSETS:	
Cash and cash equivalents	\$ <u>38,054</u>
Total assets	\$ <u><u>38,054</u></u>

L I A B I L I T I E S

LIABILITIES:	
Due to students	<u>38,054</u>
Total liabilities	\$ <u><u>38,054</u></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, 2014

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, 2014, 643 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, 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 if 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(9), 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 position, 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, 2014

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, 2014 the School had program revenues of \$ 983,938.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net position 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 and certain state 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, 2014

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 (Note 3).

Prepaid items:

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

Due to and due from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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 2% 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

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue:

Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences:

The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-based benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position:

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

- Net investment in capital assets - 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 - consists of net position 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 position that is available to fund future operations.

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.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 9.

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.

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 2% 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 13	\$ 4,523,861	\$ 4,541,176
Less: 2% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	<u>(92,668)</u>	<u>(92,668)</u>
GAAP basis, page 11	<u>\$ 4,431,193</u>	<u>\$ 4,448,508</u>

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 29, 2014, which is the date that the financial statements were available to be issued.

NOTE 3 - DEPOSITS

At June 30, 2014, the carrying amount of the deposits and cash on hand totaled \$ 683,806 with a bank balance of \$ 704,359.

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, 2014.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2014 consists of amounts due from the School Board for capital outlay funds.

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, being depreciated:				
Improvements other than buildings	\$ 336,598	\$ 40,219	\$ -	\$ 376,817
Machinery and equipment	449,558	83,289	-	532,847
Total capital assets, depreciable	786,156	123,508	-	909,664

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - CAPITAL ASSETS (continued)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Less accumulated depreciation for:				
Improvements other than buildings	39,166	35,611	-	74,777
Machinery and equipment	<u>363,703</u>	<u>71,486</u>	<u>-</u>	<u>435,189</u>
Total accumulated depreciation	<u>402,869</u>	<u>107,097</u>	<u>-</u>	<u>509,966</u>
Net capital assets, being depreciated, net	\$ <u>383,287</u>	\$ <u>16,411</u>	\$ <u>-</u>	\$ <u>399,698</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 71,486
Operation of plant	<u>35,611</u>
Total	<u>\$ 107,097</u>

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, 2014

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 \$ 699,839 for the fiscal year ended June 30, 2014.

NOTE 7 – LONG-TERM LIABILITIES

Changes in the School’s long-term liabilities for fiscal year ended June 30, 2014, are as follows:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amount Due Within One Year
Compensated absences	\$ 10,081	\$ 6,612	\$ 2,457	\$ 14,236	\$ 10,677

NOTE 8 – 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, 2015 unless either party delivers a written notice of termination to the other at least twelve months prior to the expiration of the 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 \$ 514,951 for the fiscal year ended June 30, 2014.

For the fiscal year ended June 30, 2014, the School has an amount due from the management company of \$ 1,500. The School also has an amount of \$ 9,826 owed to CSUSA for invoiced services included in accounts payable.

Post-retirement benefits:

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)

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 9 – EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2014, 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 \$ 9,681 for the year ended June 30, 2014.

NOTE 10 – 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 \$ 273,757 for the 2013/2014 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 11 - 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 8, 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.