

LINCOLN-MARTI CHARTER SCHOOLS, INC.

(INTERNATIONAL CAMPUS CHARTER SCHOOL)

(A COMPONENT UNIT OF
THE SCHOOL BOARD OF MIAMI-DADE COUNTY)

FISCAL YEAR ENDED JUNE 30, 2012



GLSC & COMPANY, PLLC
certified public accountants

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-7
SPECIAL PURPOSE FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Balance Sheets – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	12-13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	14
Notes to Special Purpose Financial Statements	15-22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	23
Note to Budgetary Comparison Schedule	24
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	25-26
MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	27-28



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of
Lincoln-Martí Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)
Miami, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of Lincoln-Martí Charter Schools, Inc. (International Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2012 and 2011 and for the fiscal year ended June 30, 2012 and the period from July 15, 2010 (Inception) through June 30, 2011. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 audits provide 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 Charter School of Lincoln-Martí Charter Schools, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Lincoln-Martí Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Lincoln-Martí Charter Schools, Inc. as of June 30, 2012 and 2011 or its changes in net position and cash flows for the fiscal year ended June 30, 2012 and the period from July 15, 2010 (Inception) through June 30, 2011 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, 2012 and 2011 and the changes in financial position thereof for the fiscal year ended June 30, 2012 and the period from July 15, 2010 (Inception) through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2012 on our consideration of the School's internal control over financial reporting and our tests of their 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 in internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 23 and 24 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose 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 special purpose financial statements, and other knowledge we obtained during our audit of the special purpose 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.

GLSC and Company PLLC

August 30, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lincoln-Marti Charter Schools, Inc. (International Campus) (the "School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School for the period ended June 30, 2012.

Management's discussion and analysis is included at the beginning of the audited 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 financial statements and supplementary information intended to furnish additional detail to support the special purpose financial statements themselves.

FINANCIAL HIGHLIGHTS

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

The School's current year of operations generated a net position of \$23,621, compared to last year's net position of \$171,598. The overall condition of the funds and governmental activities remains stable for the School.

The net position of the School exceeded its liabilities at June 30, 2012 by approximately \$195,219. Of this amount, approximately \$73,073 was unrestricted.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the School's special purpose financial statements. The School's special purpose financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the special purpose financial statements. This report also contains other required supplementary information in addition to the special purpose financial statements themselves.

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 the School's assets and liabilities, 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 government's net position changed during the most recent fiscal 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 instructional and support services.

The government-wide financial statements can be found on pages 8 through 10 of the report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (CONTINUED)

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's only fund is the General Fund, a governmental fund type.

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 inflow and outflow of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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 changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains only one governmental fund type, which is the General Fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The School adopts an annual budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The special purpose governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 22 of this report.

Other Information

In addition to the special purpose financial statements and accompanying notes, this report also presents certain required *supplementary information* concerning budgetary information for the School's general fund. Required supplementary information can be found on pages 23 and 24 of this report.

Our auditor has provided reasonable assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Special Purpose Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Supplementary Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts listed in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the School's second year of operation. The School's net position was \$195,219 at June 30, 2012. Of this amount, \$73,073 is unrestricted and \$122,146 is invested in capital assets.

Our analysis of the special purpose financial statements of the School begins below. The Statement of Net Position and the Statement of Activities report information about the School's activities that will help answer questions about the position of the School.

Net Position

A summary of the School's Net Position is presented in Table A-1 and a summary of the changes in net position is presented in Table A-2.

Table A-1

Summary of net position

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Current assets	\$ 161,515	\$ 153,819
Capital assets, net	<u>122,146</u>	<u>98,525</u>
Total assets	<u><u>283,661</u></u>	<u><u>252,344</u></u>
Current liabilities	<u>88,442</u>	<u>80,746</u>
Total liabilities	<u><u>88,442</u></u>	<u><u>80,746</u></u>
Invested in capital assets	122,146	98,525
Unrestricted net position	<u>73,073</u>	<u>73,073</u>
Total net position	<u><u>\$ 195,219</u></u>	<u><u>\$ 171,598</u></u>

Table A-2

Summary of changes in net position

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Revenues:		
State FTE Revenues	\$ 1,187,324	\$ 983,203
Local Grants and other	<u>177,339</u>	<u>60,000</u>
Total revenues	<u><u>1,364,663</u></u>	<u><u>1,043,203</u></u>
Expenses:		
Instructional services	520,754	309,025
Instructional Materials	6,139	2,516
School administration	290,190	191,927
Central services	18,232	44,085
Operation of non-instructional services	131,175	170,848
Operation and maintenance of plant	<u>374,552</u>	<u>153,204</u>
Total expenses	<u><u>1,341,042</u></u>	<u><u>871,605</u></u>
Increase in net position	<u><u>23,621</u></u>	<u><u>171,598</u></u>
Net position, beginning	<u>171,598</u>	<u>-</u>
Net position, ending	<u><u>\$ 195,219</u></u>	<u><u>\$ 171,598</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted above and in the statement of activities on pages 9 and 10, the cost of all governmental activities during the year ended June 30, 2012 and 2011 was \$1,341,042 and \$871,605, respectively. The majority of these activities were financed through general revenues of \$1,364,663 and \$1,043,203, which consist primarily of FTE funding from the State.

See "Financial Highlights" on page 3 of this report, for a further explanation of the reason for the increase in net position.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the School's second fiscal year of operations, fund balance of the general fund was \$73,073. The general fund is the chief operating fund and only fund of the School.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 as of and for the fiscal year ended June 30, 2012 and 2011:

Table B-1

Summary of condensed Balance Sheet

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Total assets	<u>\$ 161,515</u>	<u>\$ 153,819</u>
Total liabilities	<u>88,442</u>	<u>80,746</u>
Total fund balance	<u>73,073</u>	<u>73,073</u>
Total liabilities and fund balance	<u>\$ 161,515</u>	<u>\$ 153,819</u>

Table B-2

Summary of condensed statement of revenues, expenditures, and changes in fund balance

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Total revenues	<u>\$ 1,364,663</u>	<u>\$ 1,043,203</u>
Total expenditures	<u>1,364,663</u>	<u>970,130</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 73,073</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

An operating budget was 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 preparation of the fund financial statements. There were no amendments to the budget during the fiscal year ended June 30, 2012.

The general fund actual revenues were \$1,364,663 for the fiscal year ended June 30, 2012. That amount is above the budget estimates due to higher FTE students than expected.

The actual expenditures of the general fund were \$1,364,663 for the fiscal year ended June 30, 2012. This is above the budget estimates primarily due to the higher facilities operation costs associated with greater than anticipated FTE student volume. See page 23 for detail of budget vs. actual variance.

During the year, the School modified its management agreement with Lincoln-Marti Management Services ("LMMS"). Per the agreement, LMMS shall receive all revenues from which it shall pay all other operating costs of the School identified in the Budget approved by the School's Board of Directors. The management company shall be entitled to retain as compensation for its services rendered pursuant to this Agreement the difference, if any, between the amount of the Charter School's revenues and the amount revenues actually expended by the Management Company in operation and/or management of the School during its fiscal year. As a result, there was no change in fund balance for the fiscal year ended June 30, 2012.

CAPITAL ASSETS

At June 30, 2012, the School had \$156,021 invested in furniture, fixtures, computer equipment, textbooks and leasehold improvements of which approximately \$33,875 has been depreciated, which resulted in a net book value of \$122,146. Total additions for the year were \$46,251.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida has increased education funding for the FEFP program for the fiscal year 2012-2013, by approximately (3%) three percent. Student enrollment is expected to increase due to the success of the Lincoln-Marti Charter Schools on the 2012 FCAT. These factors were considered in preparing the School's budget for fiscal year 2012-2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Martin Añorga, Lincoln-Marti Charter School, Inc. 2700 SW 8th Street, Miami, FL 33135.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF NET POSITION

JUNE 30,

	Governmental Activities	
<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 115,755	\$ 143,819
Receivables	10,760	10,000
Due from related parties	35,000	-
Capital assets:		
Improvements other than buildings	49,969	49,969
Classroom furniture, fixture, equipment and others	106,052	59,801
Less accumulated depreciation	<u>(33,875)</u>	<u>(11,245)</u>
Total assets	<u>283,661</u>	<u>252,344</u>
<u>LIABILITIES</u>		
Accounts payable	15,000	18,596
Wages payable	12,612	12,400
Due to related parties	<u>60,830</u>	<u>49,750</u>
Total liabilities	<u>88,442</u>	<u>80,746</u>
<u>NET POSITION</u>		
Invested in capital assets	122,146	98,525
Unrestricted	<u>73,073</u>	<u>73,073</u>
Total net position	<u>\$ 195,219</u>	<u>\$ 171,598</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities Total</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>		
Governmental activities:						
Instructional services	\$ (520,754)	\$ -			\$ -	\$ (520,754)
Instructional materials	(6,139)	-	-		-	(6,139)
School administration	(290,190)	-	15,000		-	(275,190)
Central services	(18,232)	-	-		-	(18,232)
Operation of plant	(131,175)	-	-		-	(131,175)
Maintenance of plant	<u>(374,552)</u>	-	<u>59,912</u>		-	<u>(314,640)</u>
Total activities	<u>\$ (1,341,042)</u>	<u>\$ -</u>	<u>\$ 74,912</u>		<u>\$ -</u>	<u>\$ (1,266,130)</u>
General revenues:						
FTE non-specific revenues						1,187,324
Unrestricted investment income and miscellaneous						<u>102,427</u>
Total general revenues						<u>1,289,751</u>
Change in net position						23,621
Net position, beginning						<u>171,598</u>
Net position, ending						<u>\$ 195,219</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM JULY 15, 2010 (INCEPTION) THROUGH JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities Total</u>
			Operating Grants and Contributions			
Governmental activities:						
Instructional services	\$ (309,025)	\$ -	\$ -	\$ -	\$ -	\$ (309,025)
Instructional materials	(2,516)	-	-	-	-	(2,516)
School administration	(191,927)	-	-	-	-	(191,927)
Central services	(44,085)	-	-	-	-	(44,085)
Operation of plant	(170,848)	-	60,000	-	-	(110,848)
Maintenance of plant	(153,204)	-	-	-	-	(153,204)
Total activities	<u>\$ (871,605)</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(811,605)</u>
General revenues:						
FTE non-specific revenues						983,203
Unrestricted investment income and miscellaneous						-
Total general revenues						<u>983,203</u>
Change in net position						171,598
Net position, beginning						-
Net position, ending						<u>\$ 171,598</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 BALANCE SHEETS - GOVERNMENTAL FUND

JUNE 30,

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 115,755	\$ 143,819
Receivables	10,760	10,000
Due from related parties	<u>35,000</u>	<u>-</u>
Total assets	<u>\$ 161,515</u>	<u>\$ 153,819</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	15,000	18,596
Wages payable	12,612	12,400
Due to related parties	20,000	-
Accrued and other liabilities	<u>40,830</u>	<u>49,750</u>
Total liabilities	<u>88,442</u>	<u>80,746</u>
Fund Balance:		
Unassigned	<u>73,073</u>	<u>73,073</u>
Total fund balance	73,073	73,073

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	<u>122,146</u>	<u>98,525</u>
Net position of governmental activities	<u>\$ 195,219</u>	<u>\$ 171,598</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues:	
State FTE Revenues	\$ 1,187,324
Local grants and others	<u>177,339</u>
Total revenues	<u>1,364,663</u>
Expenditures:	
Instructional services	520,754
Instructional materials	6,139
School administration	290,190
Central services	18,232
Operation of plant	131,175
Maintenance of plant	<u>398,173</u>
Total expenditures	<u>1,364,663</u>
Excess of revenues over expenditures	<u>-</u>
Fund balance at beginning of period	<u>73,073</u>
Fund balance at end of period	<u>\$ 73,073</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE PERIOD FROM JULY 15th 2010 (INCEPTION) THROUGH JUNE 30th 2011

Revenues:	
State FTE Revenues	\$ 983,203
Local grants and others	<u>60,000</u>
Total revenues	<u>1,043,203</u>
Expenditures:	
Instructional services	309,025
Instructional materials	2,516
School administration	191,927
Central services	44,085
Operation of plant	170,848
Maintenance of plant	<u>251,729</u>
Total expenditures	<u>970,130</u>
Excess of revenues over expenditures	73,073
Fund balance at beginning of period	<u>-</u>
Fund balance at end of period	<u>\$ 73,073</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
 TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012 AND THE PERIOD FROM JULY 15th 2010 (INCEPTION)
 THROUGH JUNE 30th 2011

	<u>2012</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances- total governmental fund	\$ -
Expenditures for capital assets	46,251
Less current year depreciation	<u>(22,630)</u>
Change in net position of governmental activities	<u>\$ 23,621</u>
	<u>2011</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances- total governmental fund	\$ 73,073
Expenditures for capital assets	109,770
Less current year depreciation	<u>(11,245)</u>
Change in net position of governmental activities	<u>\$ 171,598</u>

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

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On January 14, 2009, the Miami-Dade County School Board approved the application submitted by the Board of Directors of Lincoln-Marti Charter Schools, Inc. for the creation of Lincoln-Marti Charter School (International Campus Charter School) (the "School"). Lincoln-Marti Charter School, Inc. (the "Organization") is a non-profit organization incorporated under the laws of Florida to operate charter schools organized pursuant to Section 228.056 of the Florida Statutes. The governing body of the School is the Organization's Board of Directors.

The School operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the "School Board"). The School's charter was approved by the Board of Directors on January 14, 2009 and is effective as of July 15, 2010 (Inception) until June 30, 2015. 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 School is considered a component unit of the School Board of Miami-Dade County and is included in the School Board's comprehensive annual financial report.

Enrollment and Grade Configuration

<u>School Name and Addresses</u>	<u>Grades</u>	<u>Enrollment</u>
Lincoln-Marti Charter Schools (International Campus Charter School) 157-151 East Lucy Street Florida City, FL 33034	K- 6	194

Board of Directors

The Board of Directors of the Lincoln-Marti Charter School, Inc. consists of the following members:

Martin Añorga	Chairperson
Clay Reiner	Board Member
Gil Beltran	Board Member

Financial Statements Presentation

For financial reporting purposes, International Campus Charter School is a Charter School operated by Lincoln-Marti Charter School, Inc.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Reporting Entity (Continued)

Financial Statements Presentation (Continued)

The special purpose financial statements present the government-wide statements, balance sheet and statement of revenues, expenditures and changes in fund balance for Lincoln-Marti Charter Schools, Inc. (International Campus Charter Schools) only and do not include the assets, liabilities, net position, statement of activities and cash flows of Lincoln-Marti Charter Schools, Inc (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position, changes in net position and cash flows of Lincoln-Marti Charter Schools, Inc. as of June 30, 2012 and for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

b. Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Governmental activities are supported by Full-Time Equivalent (FTE) dollars and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. FTE dollars and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation
 (Continued)**

The School's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the School.

The general fund is the school's operating fund and is considered its only major fund. It accounts for all financial resources of the school.

d. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School has no cash equivalents at June 30, 2012.

2. Receivables

All intergovernmental receivables are considered to be collectible. No allowance for uncollectible is considered necessary.

3. Capital Assets

Capital assets, which include improvements other than buildings and classroom furniture, fixture, equipment, textbooks and others, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual or collectively cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Improvement other than buildings	10
Classroom furniture, fixtures, equipment and others	3-7

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Liabilities and Net Position (Continued)

4. Fund Equity/Net Position

Beginning with fiscal year 2011, the School implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2012 and 2011.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School did not have any restricted resources as of June 30, 2012 and 2011.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors. These amounts cannot be used for any other purpose unless the School's Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2012 and 2011.

Assigned: This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School's Board of Directors. The School did not have any assigned resources as of June 30, 2012 and 2011.

Unassigned: This classification consists of the fund balance for the General Fund. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Liabilities and Net Position (Continued)

4. Fund Equity/Net Position (Continued)

Restricted – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The School would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted – represent unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditure is incurred for the purpose of which both restricted and unrestricted funds are available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School has provided otherwise in its commitment or assigned actions.

e. 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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

f. Revenue Sources

Revenues for current operations are received primarily from the Miami-Dade County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter, the School reports the number of full-time equivalent students and related data to the District. Under the provisions of Section 1011.62, of the Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

g. Date of Management Review

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

2. DEPOSITS

The School's cash includes cash on hand and demand deposits. At June 30, 2012 and 2011, the carrying amounts of the School's deposits were \$115,755 and \$143,819, respectively, while the bank balances of such deposits were \$163,210 and \$183,271, respectively. The School's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer, to hold public funds. The FDIC's temporary Transaction Account Guarantee Program provides depositors with unlimited coverage for noninterest-bearing transactions accounts in participating FDIC-insured institutions. This unlimited insurance coverage is temporary and will remain in effect through December 31, 2012. At June 30, 2012 and 2011, the School maintained deposits in FDIC-insured banks and temporary transactions accounts guarantee totaling \$163,210 and \$183,271, respectively.

3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 49,969	\$ -	\$ -	\$ 49,969
Classroom furniture, fixtures, equipment and others	<u>59,801</u>	<u>46,251</u>	<u>-</u>	<u>106,052</u>
Total capital assets being depreciated	109,770	46,251	-	156,021
Less accumulated depreciation for:				
Improvements other than buildings	(4,209)	(4,997)	-	(9,206)
School furniture, fixtures, equipment and others	<u>(7,036)</u>	<u>(17,633)</u>	<u>-</u>	<u>(24,669)</u>
Total accumulated depreciation	<u>(11,245)</u>	<u>(22,630)</u>	<u>-</u>	<u>(33,875)</u>
 Total capital assets being depreciated, net	 <u>\$ (98,525)</u>	 <u>\$ (23,621)</u>	 <u>\$ -</u>	 <u>\$ (122,146)</u>

Depreciation expense was charged to functions/programs of the School as follows:

	<u>2012</u>	<u>2011</u>
Governmental activities:		
Maintenance of plant	<u>\$ 22,630</u>	<u>\$ 11,245</u>

4. COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Organization entered into an Operating lease agreement for the School premises. The School is responsible for the leasehold improvements, repairs and maintenance, and the insurance of the properties. The lease term is for a period of five years, expiring in 2017, and includes a provision for escalating annual rentals equal to the positive or negative variation of the CPI from the Base Year. The School's rent expense for the fiscal year ended June 30, 2012 was approximately \$225,367.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Agreement (Continued)

Minimum required future rental payments under this operating lease as of June 30, 2012 are as follows:

2013	\$ 272,764
2014	317,164
2015	361,564
2016	405,964
2017	450,364

Management Services Agreement

The School entered into a five year management agreement with a charter management company (Lincoln-Marti Management Services, LLC.) ("LMMS") to provide management and administrative services to the School. The agreement was modified on October 30, 2011 and expires on June 30, 2015. Under the modified agreement, LMMS will receive all revenues from which it will pay all operating costs identified in the Budget approved by the School's Board of Directors. Pursuant to the modified agreement, the management company is entitled to retain as compensation for its services the difference, if any, between the amount of the Charter School's revenues and the amount of revenues actually expended by the Management Company in operating and managing the School during its fiscal year. The prior agreement required the School to pay, as compensation, a management fee of \$450 per Full Time Equivalent (FTE) per annum during the term of the agreement.

Management Company Information:

Name and Address:

Lincoln-Marti Management Services, LLC
 2700 SW 8th Street
 Miami, FL 33315

List of Principal Officers:

Maria Denia Vasallo, Manager

Risk Management

The School is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries property and liability insurance. Settlement amounts do not exceed insurance coverage. In addition, there have been no reductions of insurance coverage during the year.

5. RELATED PARTY TRANSACTIONS

Related party transactions occurred during the year with the following entities.

Lincoln-Marti Community Agency, Inc.

During the fiscal years ended June 30, 2012, Lincoln-Marti Community Agency, Inc. made advances to the School of approximately \$105,000 to help with the cash flows of the School. Of this amount, \$90,000 was paid during the fiscal year. The remaining balance was classified as due to related parties at June 30, 2012 in the statement of net position and balance sheet-governmental fund. During the fiscal year ended June 30, 2011, Lincoln-Marti Community Agency, Inc. made contributions of approximately \$60,000 to help with the cash flows of the School.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

5. RELATED PARTY TRANSACTIONS (CONTINUED)

School Board

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of up to five percent (5%) of the qualifying revenues of the School. During the year ended June 30, 2012 and the period from July 15, 2010 (Inception) through June 30, 2011, approximately \$58,763 and \$49,160 were paid to the School Board for administrative fees. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 194 full time students enrolled during the fiscal year ended June 30, 2012. The School also receives other allowances based upon students enrolled.

Lincoln-Marti Charter Schools, Inc.

During the fiscal year ended June 30, 2012, the School advanced \$15,000 and \$20,000 to Lincoln-Marti Charter Schools, Inc., Little Havana Campus and Hialeah Campus Charter Schools, respectively, to provide cash flows for the Schools. These amounts are unsecured non-interest bearing and due on demand. At June 30, 2012, these amounts are classified as due from related parties in the statement of net position and balance sheet-governmental fund. During the fiscal year ended June 30, 2011, Lincoln-Marti Charter Schools, Inc. (Little Havana Campus Charter Schools) advanced approximately \$52,780 to provide cash flows for the Schools and the amount was repaid during the period then ended.

Lincoln-Marti Financial Services

During the fiscal year ended June 30, 2012, the School received \$5,000 from Lincoln-Marti Financial Services which is classified as due to related parties in the statement of net position and balance sheet-governmental fund. There were no transactions during the fiscal year ended June 30, 2011.

Lincoln-Marti Management Services

During the fiscal years ended June 30, 2012 and 2011, the School incurred expenses under the term of the agreement for approximately \$40,830 and \$49,750. These amounts are shown as due to related parties at June 30, 2012 and 2011, respectively.

6. CURRENT VULNERABILITY DUE TO CONCENTRATION

During fiscal year 2012, the School received most of its support from the Miami-Dade School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations. The School has considered this possibility and would seek other funding sources to continue its operations if such circumstances were to occur.

7. SUBSEQUENT EVENTS

The School Boards of Miami Dade and Broward District approved the application for two charter schools, respectively, during the fiscal year ended June 30, 2012. The School will start operations during the fiscal year 2013.

8. RECLASSIFICATION

Certain items in the statement of financial position and the statement of activities have been reclassified to conform to the current year presentation. Such reclassification had no effect on total net assets and on total program expenses, respectively.

SUPPLEMENTARY SCHEDULE

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (INTERNATIONAL CAMPUS CHARTER SCHOOL)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State FTE revenues	\$ 830,125	\$ 830,125	\$ 1,187,324	\$ 357,199
Local grants and others	<u>70,000</u>	<u>70,000</u>	<u>177,339</u>	<u>107,339</u>
Total revenues	<u>900,125</u>	<u>900,125</u>	<u>1,364,663</u>	<u>464,538</u>
Expenditures:				
Current:				
Administrative Team	60,000	60,000	208,756	(148,756)
Instructional staff	333,000	333,000	470,294	(137,294)
Benefits	43,200	43,200	73,131	(29,931)
Contract services	67,500	67,500	131,175	(63,675)
Advertising and promotion	20,000	20,000	10,961	9,039
Financial Audit	10,000	10,000	-	10,000
Instructional materials	37,500	37,500	64,902	(27,402)
Telecommunications	5,000	5,000	6,356	(1,356)
Facilities operations	259,989	259,989	398,173	(138,184)
Miscellaneous	<u>59,000</u>	<u>59,000</u>	<u>915</u>	<u>58,085</u>
Total expenditures	<u>895,189</u>	<u>895,189</u>	<u>1,364,663</u>	<u>(469,474)</u>
Excess (deficit) of revenues over expenditures	4,936	4,936	-	(4,936)
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>73,073</u>	<u>73,073</u>
Fund balances at end of year	<u>\$ 4,936</u>	<u>\$ 4,936</u>	<u>\$ 73,073</u>	<u>\$ 68,137</u>

See notes to budgetary comparison schedule

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTE TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end. The original budget and any subsequent amendments are approved by the Board of Directors. For the fiscal year ended June 30, 2012, there were no amendments to the original budget.

For the year ended June 30, 2012, appropriated expenditures exceeded their appropriation by \$469,474. These excess of expenditures were funded by additional revenues and contributions.

SUPPLEMENTARY AUDITORS' REPORTS



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 and Officers of
Lincoln-Martí Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)

We have audited the special purpose financial statements of the governmental activities and major fund of Lincoln-Martí Charter Schools, Inc. (International Campus Charter School) (the "School") (a component unit of the School Board of Miami-Dade County), as of and for the fiscal year ended June 30, 2012, and have issued our report dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered material weakness, as defined above.

To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 the Miami-Dade County School Board and is not intended to be and should not be used by anyone other than those specified parties.

GLSC and Company PLLC

August 30, 2012





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

To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)

We have audited the special purpose financial statements of the governmental activities and major fund of The Lincoln-Marti Charter Schools, Inc. (International Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2012 and for the period from July 15, 2010 (Inception) through June 30, 2011, and have issued our report thereon dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our report on compliance and on internal control over financial reporting; which is dated August 30, 2012, and should be considered in conjunction with this management letter.

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

1. The School has not met one or more of the conditions described in Section 218.503(1), Florida Statute.
2. There were no recommendation to improve the school's financial management, accounting procedures, and internal controls.
3. There were no violations of contracts or grant agreements or abuse that has an effect on the financial statements that is less than material but more than inconsequential.
4. Based on our professional judgment, we may report on the following matters that are inconsequential on the financial statement, considering both quantitative and qualitative factors:
(a) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, (b) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
5. The name of the charter school is Lincoln-Marti Charter Schools International Campus, a component unit of the School Board of Miami-Dade County.

To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
(International Campus Charter School)
(A Component Unit of the School Board of Miami-Dade County)

6. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(10). During the year ended June 30, 2012, the School had a deficiency of revenues over expenditures of \$15,000 that was covered by a contribution from LMMS. The School has been able to pay all taxes withheld, wages and salaries, and all its expenses and creditors.

As disclosed in note 4, Commitments and Contingencies (Lease Agreement), the School modified the management agreement with LMMS. Under the new agreement, LMMS will receive all revenues from which it will pay all operating costs identified in the Budget approved by the School's Board of Directors. Pursuant to the modified agreement, LMMS is entitled to retain as compensation for its services the difference, if any, between the amount of the Charter School's revenues and the amount of revenues actually expended by LMMS in operating and managing the School during its fiscal year. Therefore, any excess of revenue over expenses during the year will result in management expense to the School preventing the School's unassigned fund balance to increase in the future.

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

GLSC and Company PLLC

August 30, 2012

