

LINCOLN-MARTI CHARTER SCHOOLS, INC.

(CHARTER HIGH SCHOOL OF THE AMERICAS)

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

FISCAL YEAR ENDED JUNE 30, 2013

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of Lincoln-Martí Charter Schools, Inc. (Charter High School of the Americas) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2013 and for the period from July 19, 2012 (Inception) through June 30, 2013, 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 special purpose 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 special purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 special purpose financial statements.

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

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

Opinions

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the School as of June 30, 2013, and the respective changes in financial position for the period from July 19, 2012 (Inception) through June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of the Matter

As discussed in Note 1, the special purpose financial statements of Lincoln-Marti Charter Schools, Inc. (Charter High School of the Americas) are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and fund information of Lincoln-Marti Charter Schools, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Lincoln-Marti Charter School, Inc., as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flow for the period from July 19, 2012 (Inception) through June 30, 2013 in conformity 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 and budgetary comparison information on pages 4 through 8 and 20 and 21 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, 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.

Miami, Florida
August 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lincoln-Marti Charter Schools, Inc. (Charter High School of the Americas) (the "School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School for the period from July 19, 2012 (Inception) through June 30, 2013.

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 \$27,176. 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, 2013 by approximately \$27,176 which 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 9 and 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 and 12 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 13 through 19 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 20 and 21 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 first year of operation. The School's net position was \$27,176 at June 30, 2013. Of this amount, \$27,176 is unrestricted.

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 2013
Current assets	\$ 126,073
Total assets	<u>126,073</u>
Current liabilities	<u>98,897</u>
Total liabilities	<u>98,897</u>
Unrestricted net position	<u>27,176</u>
Total net position	<u>\$ 27,176</u>

Table A-2

Summary of changes in net position

	Fiscal Year 2013
Revenues:	
State FTE Revenues	\$ 205,022
Local Grants and other	<u>32,718</u>
Total revenues	<u>237,740</u>
Expenses:	
Instructional services	48,036
School administration	23,598
Central services	32,453
Operation of non-instructional services	<u>106,477</u>
Total expenses	<u>210,564</u>
Increase in net position	<u>27,176</u>
Net position, beginning	<u>-</u>
Net position, ending	<u>\$ 27,176</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted above and in the statement of activities on page 10, the cost of all governmental activities during the year ended June 30, 2013 was \$210,564. The majority of these activities were financed through general revenues of \$237,740, which consist primarily of FTE funding from the State.

See "Financial Highlights" on page 4 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 first fiscal period of operations, fund balance of the general fund was \$27,176. 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 June 30, 2013 and the period from July 19, 2012 (Inception) through June 30, 2013.

Table B-1

Summary of condensed Balance Sheet

	Fiscal Year 2013
Total assets	\$ 126,073
Total liabilities	<u>98,897</u>
Total fund balance	<u>27,176</u>
Total liabilities and fund balance	<u>\$ 126,073</u>

Table B-2

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

	Fiscal Year 2013
Total revenues	\$ 237,740
Total expenditures	<u>210,564</u>
Excess of revenues over expenditures	<u>\$ 27,176</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 period ended June 30, 2013.

The general fund actual revenues were \$237,740 for the period from June 19, 2012 (Inception) through June 30, 2013. That amount is above the budget estimates due to higher FTE students than expected.

The actual expenditures of the general fund were \$210,564 for the period from June 19, 2012 (Inception) through June 30, 2013. This is above the budget estimates primarily due to the lower facilities operation costs associated with lower than anticipated facilities operations. See page 20 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 as compensation a management fee of \$500 per Full Time Equivalent (FTE) per annum.

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 (4%) four percent. Student enrollment is expected to increase due to the success of the other Lincoln-Marti Charter Schools on the 2013 FCAT. These factors were considered in preparing the School's budget for fiscal year 2013-2014.

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.
 (CHARTER HIGH SCHOOL OF THE AMERICAS)
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
 STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 86,073
Due from related parties	40,000
Total assets	<u>126,073</u>
<u>LIABILITIES</u>	
Accounts payable	10,000
Wages payable	2,503
Due to related parties	86,394
Total liabilities	<u>98,897</u>
<u>NET POSITION</u>	
Unrestricted	<u>27,176</u>
Total net position	<u>\$ 27,176</u>

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

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

FOR THE PERIOD FROM JULY 19, 2012 (INCEPTION) THROUGH JUNE 30, 2013

<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>			
Governmental activities:						
Instructional services	\$ (48,036)	\$ -	\$ -	\$ -	\$ -	\$ (48,036)
School administration	(23,598)	-	-	-	-	(23,598)
Central services	(32,453)	-	-	-	-	(32,453)
Operation of plant	<u>(106,477)</u>	<u>-</u>	<u>19,124</u>	<u>13,594</u>	<u>-</u>	<u>(73,759)</u>
Total activities	<u>\$ (210,564)</u>	<u>\$ -</u>	<u>\$ 19,124</u>	<u>\$ 13,594</u>	<u>\$ -</u>	<u>\$ (177,846)</u>
General revenues:						
FTE non-specific revenues						<u>205,022</u>
Total general revenues						<u>205,022</u>
Change in net position						27,176
Net position, beginning						-
Net position, ending						<u>\$ 27,176</u>

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

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

JUNE 30, 2013

ASSETS

Cash	\$ 86,073
Due from related parties	<u>40,000</u>
Total assets	<u>126,073</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 10,000
Wages payable	2,503
Due to related parties	<u>86,394</u>
Total liabilities	<u>98,897</u>
Fund Balance:	
Unassigned	<u>27,176</u>
Total fund balance	<u>27,176</u>
Total liabilities and fund balance	<u>\$ 126,073</u>

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (CHARTER HIGH SCHOOL OF THE AMERICAS)
 (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 19, 2012 (INCEPTION) THROUGH JUNE 30, 2013

Revenues:	
State FTE Revenues	\$ 205,022
Capital Outlay	13,594
Contribution	<u>19,124</u>
Total revenues	<u>237,740</u>
Expenditures:	
Instructional services	48,036
School administration	23,598
Central services	32,453
Operation of plant	<u>106,477</u>
Total expenditures	<u>210,564</u>
Excess of revenues over expenditures	<u>27,176</u>
Fund balance at beginning of period	<u>-</u>
Fund balance at end of period	<u>\$ 27,176</u>

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

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
 (CHARTER HIGH SCHOOL OF THE AMERICAS)
 (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 18, 2012, 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 (Charter High School of the Americas) (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 1002.33 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 School Board on January 18, 2012 and is effective as of July 19, 2012 (Inception) until June 30, 2017. Pursuant to Section 1002.33(8)(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 (Charter High School of the Americas) 970-984 West Flagler Street, Miami, FL 33130	9-12	35

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, Charter High School of the Americas is a Charter School operated by Lincoln-Marti Charter School, Inc.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
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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. (Charter High School of the Americas) 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, 2013 and for the period from July 19, 2012 (Inception) through June 30, 2013 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 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.

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

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.
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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.

Due to the nature of the transactions, there were no reconciling items between the government-wide and fund financial statements.

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, 2013.

2. Fund Equity/Net Position

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," 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 (i.e. inventories and prepayments) or (b) are legally or contractually required to be maintained intact.

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.

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. *Fund Equity/Net Position (Continued)*

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.

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.

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.

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.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013 which is the date the special purpose financial statements were available to be issued.

2. DEPOSITS

The School's cash includes cash on hand and demand deposits. At June 30, 2013, the carrying amount of the School's deposits was \$86,073, while the bank balances of such deposits was \$89,053. 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. At June 30, 2013 the schools deposits are insured under the FDIC limit.

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

3. COMMITMENTS AND CONTINGENCIES

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 expires on April 24, 2018. On April 25, 2013, the agreement was modified providing for changes in the management fee structures requiring the School to pay, as compensation, a management fee of \$500 per Full Time Equivalent (FTE) per annum. Prior to this date, management fee was based on the full amount of the actual net operating income of the School. The Management fee expense during the fiscal year 2013 was approximately \$101,000. (See Note 4 Related Party Transactions).

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.

4. RELATED PARTY TRANSACTIONS

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

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 period from July 19, 2012 through June 30, 2013, approximately \$10,000 was 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 35 full time students enrolled during the period from July 19, 2012 through June 30, 2013. The School also receives other allowances based upon students enrolled.

Lincoln-Marti Management Services

During the period from July 19, 2012 through June 30, 2013, the School incurred expenses under the term of the agreement for approximately \$101,000 (see note 3 commitments and contingencies). The amounts due to Lincoln-Marti Management Services as of June 30, 2013 for above mentioned services were \$86,394.

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

4. RELATED PARTY TRANSACTIONS

Lincoln-Marti Charter Schools, Inc (Miami Campus Charter School)

During the period from July 19, 2012 through June 30, 2013, the School advanced approximately \$40,000, to Lincoln-Marti Charter Schools, Inc. (Little Havana Campus Charter School) to provide cashflows for the operations of the Little Havana Campus. The advances are noninterest bearing and due on demand. The amount due from the Little Havana Campus as of June 30, 2013 was approximately \$40,000.

5. CURRENT VULNERABILITY DUE TO CONCENTRATION

During the period from July 19, 2012 through June 30, 2013, 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.

6. SUBSEQUENT EVENT

As of August 30, 2013, as a result of an agreement between D.P Real Estate Holdings, LLC, ("D.P") the School landlord, and Lincoln Marti Community Agency, Inc., (the "Agency"), a related not-for-profit company, the School transferred approximately \$40,000 to Lincoln Marti Community Agency, Inc. on behalf of D.P. as payment to the Agency for loans made to D.P. in prior years. The School will apply the monies paid to Agency towards the amount it will have to pay D.P. as rental payments in the future.

SUPPLEMENTARY SCHEDULE

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(CHARTER HIGH SCHOOL OF THE AMERICAS)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
BUDGETARY COMPARISON SCHEDULE
FOR THE PERIOD FROM JULY 19, 2012 (INCEPTION) THROUGH JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
State FTE revenues	\$ 237,432	\$ 237,432	\$ 205,022	\$ (32,410)
Local grants and others	-	-	32,718	32,718
Total revenues	<u>237,432</u>	<u>237,432</u>	<u>237,740</u>	<u>308</u>
Expenditures:				
Current:				
Administrative Team	15,151	15,151	21,349	(6,198)
Instructional staff	86,000	86,000	43,459	42,541
Benefits	9,315	9,315	6,826	2,489
Contract services	19,800	19,800	106,477	(86,677)
Advertising and promotion	4,000	4,000	-	4,000
Financial Audit	8,000	8,000	10,000	(2,000)
Instructional materials	16,000	16,000	-	16,000
Telecommunications	758	758	-	758
Facilities operations	78,343	78,343	262	78,081
Miscellaneous	-	-	22,191	(22,191)
Total expenditures	<u>237,367</u>	<u>237,367</u>	<u>210,564</u>	<u>26,803</u>
Excess of revenues over expenditures	65	65	27,176	27,111
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ 65</u>	<u>\$ 65</u>	<u>\$ 27,176</u>	<u>\$ 27,111</u>

See notes to budgetary comparison schedule

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(CHARTER HIGH SCHOOL OF THE AMERICAS)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTE TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013

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 period from July 19, 2012 (Inception) through June 30, 2013, there were no amendments to the original budget.

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.
(Charter High School of the Americas)
(A Component Unit of the School Board of Miami-Dade County)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of the governmental activities and major fund, of Lincoln-Martí Charter Schools, Inc. (Charter High School of the Americas) (the "School") (a component unit of the School Board of Miami-Dade County), as of June 30, 2013 and for the period from July 19, 2012 (Inception) through June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's special purpose financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
(Charter High School of the Americas)
(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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Miami, Florida
August 30, 2013

**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.
(Charter High School of the Americas)
(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. (Charter High School of the Americas) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2013 and for the period from July 19, 2012 (Inception) through June 30, 2013, and have issued our report thereon dated August 30, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, which is dated August 30, 2013, 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 Statutes.
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 have occurred, or are likely to have occurred that have an effect on the financial statements that is less than material but which warrant the attention of those charged with governance.
4. The name of the charter school is Lincoln-Marti Charter Schools, Inc. (Charter High School of the Americas), a component unit of the School Board of Miami-Dade County.
5. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(1). The School does not show any sign that the overall financial condition is deteriorating. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by same.

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

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Miami-Dade County School board, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Miami, Florida
August 30, 2013