

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

SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011



GLSC & COMPANY, PLLC
certified public accountants

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

**SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of Youth Co-Op Charter School (the "School"), a program of Youth Co-Op, Inc. (a nonprofit organization) as of and for the years ended June 30, 2012 and 2011 as listed in the table of contents. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audits.

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 program of Youth Co-Op, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Youth Co-Op, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Youth Co-Op, Inc. as of June 30, 2012 and 2011 or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2012 and 2011 and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors of
Youth Co-Op, Inc.
(a nonprofit organization)
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2012, 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* and should be considered in assessing the result of our audit.

GLSC & Company, PLLC

August 24, 2012



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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,618,341	\$ 2,452,276
Due from Miami-Dade County School Board		
- State of Florida Capital Outlay Distribution	435,387	418,252
Due from Youth Co-Op, Inc.	<u>44,543</u>	<u>300,066</u>
TOTAL CURRENT ASSETS	<u>3,098,271</u>	<u>3,170,594</u>
PROPERTY AND EQUIPMENT, NET	<u>508,726</u>	<u>670,071</u>
OTHER ASSETS		
Deposits	<u>151,000</u>	<u>14,250</u>
TOTAL ASSETS	<u>\$ 3,757,997</u>	<u>\$ 3,854,915</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 50,165	\$ 59,955
Accrued payroll	102,603	101,057
Due to fiduciary fund	<u>16,845</u>	<u>16,845</u>
TOTAL CURRENT LIABILITIES	<u>169,613</u>	<u>177,857</u>
TOTAL LIABILITIES	<u>169,613</u>	<u>177,857</u>
NET ASSETS		
Unrestricted	3,152,997	3,258,806
Temporarily restricted	<u>435,387</u>	<u>418,252</u>
TOTAL NET ASSETS	<u>3,588,384</u>	<u>3,677,058</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,757,997</u>	<u>\$ 3,854,915</u>

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

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
School Board of Miami-Dade County - FTE	\$ 2,401,527	\$ -	\$ 2,401,527
- Capital Outlay	-	188,909	188,909
- School Recognition	59,940	-	59,940
- Class size reduction	562,256	-	562,256
Federal through State	449,600	-	449,600
Interest	2,532	-	2,532
Other local sources	178,944	-	178,944
TOTAL REVENUES AND SUPPORT	<u>3,654,799</u>	<u>188,909</u>	<u>3,843,708</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	<u>171,774</u>	<u>(171,774)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>3,826,573</u>	<u>17,135</u>	<u>3,843,708</u>
EXPENSES			
Instructional	1,754,371	-	1,754,371
Pupil personnel services	17,541	-	17,541
School and general administration	360,267	-	360,267
Operation of plant	323,328	-	323,328
Maintenance of plant	44,375	-	44,375
Fiscal services	691,948	-	691,948
Food services	254,105	-	254,105
Central services	223,639	-	223,639
Instructional media	58,318	-	58,318
Depreciation	204,490	-	204,490
TOTAL EXPENSES	<u>3,932,382</u>	<u>-</u>	<u>3,932,382</u>
CHANGE IN NET ASSETS	(105,809)	17,135	(88,674)
NET ASSETS AT BEGINNING OF YEAR	<u>3,258,806</u>	<u>418,252</u>	<u>3,677,058</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,152,997</u>	<u>\$ 435,387</u>	<u>\$ 3,588,384</u>

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

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
School Board of Miami-Dade County - FTE	\$ 2,740,327	\$ -	\$ 2,740,327
- Capital Outlay	-	306,467	306,467
- School Recognition	39,525	-	39,525
- Class size reduction	543,762	-	543,762
Federal through State	434,283	-	434,283
Interest	6,233	-	6,233
Other local sources	<u>176,082</u>	<u>-</u>	<u>176,082</u>
TOTAL REVENUES AND SUPPORT	<u>3,940,212</u>	<u>306,467</u>	<u>4,246,679</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	<u>212,666</u>	<u>(212,666)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>4,152,878</u>	<u>93,801</u>	<u>4,246,679</u>
EXPENSES			
Instructional	1,709,310	-	1,709,310
Pupil personnel services	5,204	-	5,204
School and general administration	317,200	-	317,200
Operation of plant	340,477	-	340,477
Maintenance of plant	87,440	-	87,440
Fiscal services	643,285	-	643,285
Food services	312,850	-	312,850
Central services	406,253	-	406,253
Instructional media	48,445	-	48,445
Depreciation	<u>218,008</u>	<u>-</u>	<u>218,008</u>
TOTAL EXPENSES	<u>4,088,472</u>	<u>-</u>	<u>4,088,472</u>
CHANGE IN NET ASSETS	64,406	93,801	158,207
NET ASSETS AT BEGINNING OF YEAR	<u>3,194,400</u>	<u>324,451</u>	<u>3,518,851</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,258,806</u>	<u>\$ 418,252</u>	<u>\$ 3,677,058</u>

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (88,674)	\$ 158,207
Adjustments to reconcile change in net assets to Net cash provided by (used in) operating activities:		
Depreciation	204,490	218,008
(Increase) Decrease in:		
Due from School Board of Miami-Dade County		
- State of Florida Capital Outlay Distribution	(17,135)	(93,801)
Due from Youth Co-Op, Inc.	255,523	(300,066)
Deposits	(136,750)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	(9,790)	17,816
Accrued Payroll	1,546	(51,938)
Due to Youth Co-op, Inc.	-	(616,078)
Transfer from fiduciary fund	-	2,060
Total adjustments	297,884	(823,999)
Net cash provided by (used in) operating activities:	209,210	(665,792)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43,145)	(52,177)
Net cash (used in) investing activities	(43,145)	(52,177)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,065	(717,969)
BEGINNING CASH AND CASH EQUIVALENTS	2,452,276	3,170,245
ENDING CASH AND CASH EQUIVALENTS	\$ 2,618,341	\$ 2,452,276

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Youth Co-Op, Inc. (the "Organization") was incorporated as a not-for-profit organization under the laws of the State of Florida on May 9, 1974, for the purpose of providing training, education and employment opportunities to low and moderate-income persons. In 1998, the Board of Directors and administration approved a plan to open a charter school since this was in line with the Organization's mission. On May 13, 1998, the Miami-Dade County Public School Board (the "School Board") approved the application submitted by the Board of Directors of the Organization for the creation of Youth Co-Op Charter School (the "School") to serve students in grades kindergarten through eight.

In 2011, the charter school contract (the "Contract") with the School Board was renewed for another fifteen (15) years expiring in June 2023 and was amended to increase student enrollment from 525 to a maximum of 650 students beginning with school year 2011-2012. On June 14, 2012, the School Board approved a second amendment to the first renewal of the Contract to expand the School's facility and operations by adding high school levels beginning school year 2012-2013. The Contract may be renewed for a term of five (5) years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board is required to notify the School in writing at least 90 days prior to the charter's termination. Pursuant to Section 1002.33(8) (e) of the Florida Statute, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the course of the charter, the School Board may also terminate the charter if good caused is shown.

At June 30, 2012, the School has a total number of 523 students enrolled from kindergarten through eighth grades.

The School is accounted for as program of Youth Co-Op, Inc. The governing body of the School is the Organization's Board of Directors which comprises of eight (8) members.

Governance Structure

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

Francisco Valladares	Chairman
Mario Hernandez-Fumero	Vice-Chairman
Jose Riesco	Treasurer
Ania Diaz	Secretary
Fidel Garcia	Member
Gerard Kouri, Jr.	Member
Francisco Sitjes	Member
Elena Z. George	Member

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statements Presentation

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

The special purpose financial statements present the financial positions, activities and cash flows for the Youth Co-Op Charter School only and do not include the assets, liabilities, net assets and statement of activities and cash flows of Youth Co-Op, Inc (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Youth Co-Op, Inc. as of June 30, 2012 and 2011 or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Promises to Give

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

Restricted and Unrestricted Revenue and Support

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

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

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, short-term marketable investments purchased with an original maturity date of three months or less are considered to be cash equivalents.

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

Allowance for Doubtful Accounts

Management believes that all receivables are collectible; therefore, the School has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. There were no uncollectible accounts during the years ended June 30, 2012 and 2011.

Property and Equipment

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

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

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

Due to/from Youth Co-Op, Inc.

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

Due to Fiduciary Fund

Consist of amounts due to the students for cash held for the benefit of student organizations as a result of funds raised by the students of the School. The cash was deposited in a separate bank account and was included in the cash and cash equivalent in the statement of financial position of the School.

Revenue Source

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The School is exempt from income taxes, under Section 501(c) 3 of the Internal Revenue Code of 1954 (as amended) under the classification of other than a private foundation; accordingly, the financial statements reflect no provision for income taxes.

The Organization evaluates all significant tax position as required by generally accepted accounting principles in the United States. As of June 30, 2012, the Organization does not believe it has taken any tax position for the School that would required the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's federal tax returns are currently open for examination by the Internal Revenue Service. Statute of limitations generally is three years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the period. Actual results could differ from those estimates.

Indirect Cost

In 2011, the Organization used a provisional indirect cost rate of 7.99 percent that was negotiated and approved by its agent, the U.S. Department of Labor as allocated administrative costs of the Organization to the School. The indirect cost rate is based on the total direct program costs, and is charged to those programs which allow for indirect cost allocation. For fiscal year ended June 30, 2012 and 2011, the indirect costs were approximately \$104,000 and \$159,000, respectively.

Reclassification

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Date of Management Review

The School has evaluated subsequent events through August 24, 2012, which is the date that the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

At fiscal year end, the School's carrying amount of deposits was \$2,618,341 and \$2,452,276 at June 30, 2012 and June 30, 2011, respectively. Bank balances before reconciling items were \$2,635,728 and \$2,555,475 as of June 30, 2012 and 2011, respectively, the total of which are insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Depository Act". Under this act, all qualified public depositories are required to pledge eligible collateral having a fair value to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were comprised of temporarily restricted contributions made from the State for Capital Outlay Funding.

	<u>2012</u>	<u>2011</u>
Due from Miami-Dade County School Board – State of Florida Capital Outlay Distribution	<u>\$ 435,387</u>	<u>\$ 418,252</u>

During the fiscal years 2012 and 2011, the School Board received an additional \$188,909 and \$306,467, respectively, of Section 1002.33(19) of the Florida Statutes, Charter School Capital Outlay Funding from the State on behalf of the School. The funds have been deposited with the School Board and will be distributed once the School incur expenses in accordance with approved Capital Outlay Plans by the School Board and follow other guidelines developed by the Florida Department of Education. As of June 30, 2012 and 2011, the School recorded a receivable from the School Board of \$435,387 and \$418,252, respectively, and recorded the amount as temporarily restricted support. In 2012 and 2011, the School released \$171,774 and \$212,666, respectively, from restrictions by incurring expenses in accordance with approved Capital Outlay Plans.

4. PROPERTY AND EQUIPMENT- NET

Property and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 630,071	\$ 612,870
Furniture and fixtures	110,829	97,065
Leasehold improvement	<u>2,036,352</u>	<u>2,024,172</u>
	2,777,252	2,734,107
Less: accumulated depreciation	<u>(2,268,526)</u>	<u>(2,064,036)</u>
	<u>\$ 508,726</u>	<u>\$ 670,071</u>

Depreciation expenses for the year ending June 30, 2012 and 2011 amounted to \$204,490 and \$218,008, respectively.

5. COMMITMENTS

The Charter School leases its facility under the terms of an operating lease, which expires on January 31, 2013 and may be renewed upon mutual agreement by both parties. Annual rental for such lease amounted to approximately \$87,000 with annual rate adjustment based on the Consumer Price Index (CPI) as published by U.S. Department of Labor, Bureau of Labor Statistics. The Charter School's rent expenses for the year ended June 30, 2012 and 2011 amounted to \$94,427 and \$93,218, respectively, and is included in the school operation of plant expenses in the accompanying statement of activities.

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

<u>June 30,</u> 2013	<u>\$ 87,000</u>
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5. COMMITMENTS (CONTINUED)

On May 6, 2012, the Organization entered into a lease agreement to rent modular buildings for a period of two years to serve as additional temporary school facilities while the new school building is under construction. The monthly rental for these modules is approximately \$13,000, with an option to buy at the end of the lease term; the Organization will bear the costs of dismantling and returning the modules if option to buy is not exercised.

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

<u>June 30,</u>	
2013	\$ 142,846
2014	155,832
2015	<u>12,986</u>
	<u>\$ 311,664</u>

Approximately 50% of these rental payments will be allocated to Youth Co-Op Charter School.

6. CONTINGENCIES

Grants from the Government and Other Agencies

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

7. MANAGEMENT FEE

Pursuant to the Charter School contract with the School Board, the School Board is paid a management fee of 5% of the qualifying revenues of the School. In fiscal year 2012, the Charter School met all criteria defined in Florida Statutes as "High Performing Charter Schools" and as an incentive, the management fee was reduced from 5% to 2%. For the years ended June 30, 2012 and 2011, management fees paid to the School Board amounted to \$27,497 and \$162,234, respectively.

8. EMPLOYEE BENEFIT PLAN

The Organization's profit-sharing plan and trust provides retirement, death and disability benefits for qualified employees. The plan provides for annual contributions by the Organization to the trust, at the discretion of the Organization's Board of Directors. Annual Organization's contributions are allocable to participants based upon annual compensation with the School. The School's contribution to the plan for the year ended June 30, 2012 and 2011 amounted to \$133,965 and \$126,553, respectively.

9. CURRENT VULNERABILITY DUE TO CONCENTRATION

For the fiscal year ended June 30, 2012 and 2011, the School received approximately 83% of its support from the Miami-Dade County School Board. It is reasonably possible that in the near term these programs could decrease due to budget cut at the School Board, which could affect the School and its ability to continue operations.

10. SUBSEQUENT EVENTS

On July 20, 2012, the Organization negotiated a term loan from a bank in the amount of \$9.75 million, \$3.8 million of which is used to partially finance the acquisition of a property and the remainder to finance the construction of a building for the new Charter School. The term loan bears interest at a variable rate equal to one-month LIBOR rate plus 3.25% basis point. The loan requires monthly payment of interest only beginning August 20, 2012 which will be added to the outstanding loan balance, and principal and interest payment starting on August 20, 2014. The entire outstanding principal balance and all accrued unpaid interest under the term loan note will be due and payable in full on July 20, 2018. The loan is secured by the land and building acquired by the Organization. An additional \$1.6 million promissory note was also issued to partially finance the total purchase price of the property which amounted to \$6.65 million. The promissory note bears an interest rate of 6% per annum and is payable monthly starting August 20, 2012. The principal balance is due and payable in July 2017.



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

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

We have audited the special purpose financial statements of Youth Co-Op Charter School (the "School"), as of and for the year ended June 30, 2012, and have issued our report thereon dated August 24, 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 consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

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

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

GLSC & Company, PLLC

August 24, 2012





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

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

We have audited the special purpose financial statements of Youth Co-Op Charter School (the "School"), as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 24, 2012. 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 and Chapter 10.850, Rules of the Auditor General. We have also issued our report on compliance and on internal control over financial reporting; which is dated August 24, 2012, and should be considered in conjunction with this management letter.

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

1. There were no recommendations made in the preceding annual financial audit report.
2. The School has not met one or more of the conditions pursuant in Section 218.503(1), Florida Statutes.
3. There are no recommendations to improve the school's financial management, accounting procedures, and internal control noted for the fiscal year ended June 30, 2012.
4. There were no violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential.
5. Based on our professional judgment, we may report on the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (b) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. The name of the charter school is Youth Co-Op Charter School, a program of Youth Co-Op, Inc.

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

7. We applied financial condition assessment procedures pursuant to Rule 10.855(10) and no deteriorating financial conditions were noted. It is management's responsibility to monitor the financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same

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 & Company, PLLC

August 24, 2012

