



# Miami-Dade County Public Schools

*giving our students the world*

Superintendent of Schools  
Alberto M. Carvalho

Miami-Dade County School Board  
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Dr. Solomon C. Stinson

October 7, 2008

The Honorable Chair and Members of  
Eugenio Maria De Hostos Leadership Charter School  
One NE 19<sup>th</sup> Street  
Miami, FL 33132

**VIA FACSIMILE & U.S. MAIL**  
**305-576-0810**

**RE: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND CONDITION OF FINANCIAL EMERGENCY**

A review of your audited financial statements for the period ended June 30, 2008, raises concerns that require your immediate attention. Florida Statutes Section 218.503, *Determination of Financial Emergency*, requires you to notify your sponsoring school district if one or more of the conditions as follows have or will occur:

- (a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of lack of funds.
- (b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.
- (c) Failure to transfer at the appropriate time, due to lack of funds:
  1. Taxes withheld on the income of employees; or
  2. Employer and employee contributions for:
    - a. Federal social security; or
    - b. Any pension, retirement, or benefit plan of an employee.
- (d) Failure for one pay period to pay, due to lack of funds:
  1. Wages and salaries owed to employees; or
  2. Retirement benefits owed to former employees.
- (e) An unreserved or total fund balance or retained earnings deficit, or unrestricted or total net assets deficit for which sufficient resources are not available.

According to your June 30, 2008 audited financial statements, the school has an unrestricted net assets deficit and net assets deficit of \$98,096 and \$60,292, respectively. There does not appear to be sufficient resources available to cover these deficits. Moreover, in accordance with the Government Accounting Model, when the school's net capital assets of \$354,958 are deducted from its unrestricted net assets balance of (\$60,292), the unrestricted net assets deficit becomes (\$415,250). Also, the school incurred an operating loss of \$18,778 during 2008, contrary to its income statement projection which was included as part of the 2007 financial recovery plan of October 12, 2007, and projected an operating surplus of \$254,777.

Office of Management and Compliance Audits

• School Board Administration Building • 1450 N.E. 2nd Ave. • Suite 415 • Miami, FL 33132  
305-995-1436 • 305-995-1331 (FAX) • [www.mca.dadeschools.net](http://www.mca.dadeschools.net)

These conditions raise questions about the school's solvency and indicate your charter school meets the statutory definition of financial emergency. Additionally, your external auditors cited a significant control deficiency related to cash management of your Food and Nutrition program, and indicated that the accounting manual had not yet been approved by the school's Board.

Section 218.503(4), Florida Statutes provides that the sponsor contact the charter school governing body to determine what actions have or will be taken to resolve the financial emergency. **This letter serves as the official communication requesting that the governing body of Eugenio Maria De Hostos Youth Leadership Charter School provide a financial recovery plan within 30 days, (sooner if possible) as required by F.S. 1002.33(9)(g).**

The plan must address the specific audit findings and must also show how the charter school will meet its current and future obligations and be a financially viable entity within the time period specified. The plan must specify dollar amounts of cost cuts, cost avoidance, and/or realistic revenue projections that will allow the charter school to correct the condition(s) that caused the school to be found in a state of financial emergency. The financial recovery plan must include appropriate supporting documentation. Enclosed is the Florida Department of Education Technical Assistance Paper No. 2007-21 which outlines the comprehensive nature of the required Financial Recovery Plan. Failure to timely submit an adequate and credible recovery plan constitutes good cause to terminate the charter.

Please also note, the Capital Outlay Plan which you have submitted to the District requires our District Finance Officer to certify that the school "has financial stability for future operation as a charter school." We will be unable to approve your capital outlay plan until a satisfactory financial recovery plan has been received.

We plan to present your audited financial statements and recovery plan to the School Board's Audit Committee at its next regularly scheduled meeting: Tuesday, December 2, 2008 in room 916 of the School Board Administration Building, 1450 N.E. 2<sup>nd</sup> Avenue at 12:30 p.m. It is imperative that a representative from your school attend this meeting to respond to questions that the Audit Committee may have.

Should you have any questions, please call Mr. Trevor L. Williams at 305-995-1328 or Mr. Jon Goodman at 305-995-1323. Thank you in advance for your cooperation.

Sincerely,



Dr. Grace L. Ali, Chief Financial Officer  
Financial Operations

Sincerely,



Allen M. Vann, Chief Auditor  
Management and Compliance Audits

AMV:la  
Attachments

cc:	Mr. Alberto Carvalho	Mr. Michael Bell	Ms. Ellen O. Wright
	Mr. Freddie Woodson	Ms Melinda McNichols	Ms. Tiffanie Pauline
	Ms. Ofelia San Pedro	Ms. Connie Pou	Ms. Margarita Betancourt
	Mr. Luis Garcia	Ms. Judith Marte	



**ASPIRA NORTH, SOUTH  
AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

SPECIAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2008 AND 2007



**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

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Albani, Caballero  
& Castellanos, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.  
Miami, Florida

We have audited the accompanying special purpose financial statements of ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools (the "Schools") as of and for the fiscal years ended June 30, 2008 and 2007 as listed in the table of contents. These special purpose financial statements are the responsibility of the Schools' management. Our responsibility is to express an opinion on these special purpose 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the three schools referred to above, which are programs of ASPIRA of Florida, Inc. The special purpose financial statements do not include the statement of financial position, activities and cash flows of ASPIRA of Florida, Inc. (a not-for-profit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of ASPIRA of Florida, Inc. as of June 30, 2008 and 2007 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 Schools as of June 30, 2008 and 2007, and the results of their operations and cash flows for the fiscal year then ended 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 29, 2008 on our consideration of the Schools' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.

Our audit was made for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying combining special purpose financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the special purpose financial statements. The accompanying schedule of expenditures of federal awards programs is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the special purpose financial statements of the Schools. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the special purpose financial statements taken as a whole.

*Alfonso Castellanos & Castellanos LLP*

Coral Gables, Florida  
August 29, 2008

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	June 30,	
<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>Current assets:</b>		
Due from the Miami-Dade County School Board		
-Performance Pay (FEFP)	\$ -	\$ 42,622
-State of Florida Capital Outlay Distribution	555,953	513,018
Due from ASPIRA of Florida, Inc.	<u>1,491,094</u>	<u>1,742,286</u>
Total current assets	<u>2,047,047</u>	<u>2,297,926</u>
Capital Assets, Net	<u>966,236</u>	<u>758,564</u>
Total assets	<u>\$ 3,013,283</u>	<u>\$ 3,056,490</u>
 <u>LIABILITIES</u> 		
<b>Current liabilities:</b>		
Accounts payable	\$ -	\$ 136,140
Due to ASPIRA of Florida, Inc.	<u>503,694</u>	<u>385,578</u>
Total liabilities	<u>503,694</u>	<u>521,718</u>
 <u>NET ASSETS</u> 		
Temporarily restricted	505,313	462,378
Unrestricted	<u>2,004,276</u>	<u>2,072,394</u>
Total net assets	<u>2,509,589</u>	<u>2,534,772</u>
Total liabilities and net assets	<u>\$ 3,013,283</u>	<u>\$ 3,056,490</u>

See notes to special purpose financial statements.

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINED STATEMENTS OF ACTIVITIES

FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	June 30,	
	2008	2007
<u>Changes in Unrestricted Net Assets</u>		
Support and revenue		
Local	\$ 5,573,016	\$ 4,899,475
Federal grants	1,052,545	1,114,074
Local grants	110,632	485,760
In-kind	188,005	-
Other	211,776	191,224
Interest	65,015	70,000
Total revenues	7,200,989	6,760,533
Net assets released from restrictions		
Satisfaction of program restrictions	610,307	856,913
Total net assets released from restrictions	610,307	856,913
	7,811,296	7,617,446
Expenses:		
Instruction (Teachers)	3,599,647	3,087,791
Pupil personnel services	315,982	377,371
Instructional media service	84,577	49,473
Instructional and curriculum development services	26,971	187,822
Instructional staff training services	-	2,948
General administration	409,932	532,403
School administration	696,743	621,630
Fiscal services	19,702	15,000
Student transportation services	520,852	556,648
Operation of plant	1,074,846	1,087,776
Maintenance of the plant	301,021	377,619
Food services	636,379	566,709
Community services	27,584	-
Depreciation	165,178	108,843
Total expenses	7,879,414	7,572,033
(Decrease) Increase in unrestricted net assets	(68,118)	45,413
<u>Changes in Temporarily Restricted Net Assets</u>		
Contributions and grants	653,242	661,790
Net assets released from restrictions	(610,307)	(856,913)
Increase (Decrease) in temporarily restricted net assets	42,935	(195,123)
(Decrease) in net assets	(25,183)	(149,710)
Net assets, beginning	2,534,772	2,684,482
Net assets, ending	\$ 2,509,589	\$ 2,534,772

See notes to special purpose financial statements.

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINED STATEMENTS OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008 AND 2007

	June 30,	
	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) in net assets	\$ (25,183)	\$ (149,710)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities		
Depreciation	165,178	108,843
Write off of accounts payable	(136,140)	-
Allowance for doubtful accounts	52,044	197,337
Non-cash in-kind contribution of capital assets	(173,889)	-
(Increase) decrease in:		
Due from School Board of Miami-Dade County		
-Performance Pay (FEFP)	42,622	(42,622)
-State of Florida Capital Outlay Distribution	(42,935)	(52,852)
Accounts payable	-	136,140
Due to/from ASPIRA of Florida, Inc., net	<u>317,264</u>	<u>321,466</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>198,961</u>	<u>518,602</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(198,961)</u>	<u>(518,602)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(198,961)</u>	<u>(518,602)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	-	-
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ -</u>

See notes to special purpose financial statements.

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2008 and 2007**

**I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

On April 14, 1999, February 9, 2000 and April 14, 2001, the Miami-Dade County School Board approved the applications submitted by the Board of Directors of ASPIRA of Florida, Inc. for the creation of the ASPIRA North Youth Leadership Charter School (ASPIRA North), the ASPIRA South Youth Leadership Charter School (ASPIRA South), and the Eugenio Maria De Hostos Youth Leadership Charter School (ASPIRA Wynwood); respectively. The three schools will be referred to collectively as the Schools in these special purpose financial statements. ASPIRA of Florida, Inc. (the Organization) is a non-profit organization incorporated under the laws of Florida to provide community development, and promote special programs and events including operating charter schools organized pursuant to Section 228.056 of the Florida Statutes (2001). The Schools are accounted for as programs of the Organization. The governing body of the Schools is the Organization's Board of Directors.

The Schools operate under a charter of the sponsoring school district, the Miami-Dade County School Board (the School Board). The ASPIRA North Youth Leadership Charter School's charter was approved by the Board of Directors on June 24, 1999 and is effective until June 30, 2017. The ASPIRA South Youth Leadership Charter School's charter was approved by the Board of Directors on May 18, 2000 and is effective until June 30, 2010. The Eugenio Maria De Hostos Youth Leadership Charter School's charter was approved by the Board of Directors on April 14, 2001 and is effective until June 30, 2011. All three charters may be renewed for up to an additional five (5) years by mutual written agreement between the Schools and the School Board. At the end of the term of the charters, the School Board may choose not to renew the charters under grounds specified in the charter in which case the School Board is required to notify the Schools in writing at least 90 days prior to the charter's termination. Pursuant to Section 228.056(11)(e), Florida Statutes (2001), the charter school contract provides that in the event the Schools are 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.

**Enrollment and Grade Configuration**

<u>Schools Name and Addresses</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
ASPIRA North Youth Leadership Charter School 13300 Memorial Highway North Miami, FL 33161	6020	6 <sup>th</sup> , 7 <sup>th</sup> , and 8 <sup>th</sup>	311	Ileana D. Pena
ASPIRA South Youth Leadership Charter School 14412 S.W. 288 Street, Leisure City, FL 33033	6060	6 <sup>th</sup> , 7 <sup>th</sup> , and 8 <sup>th</sup>	200	Jason Trinidad
Eugenio Maria De Hostos Youth Leadership Charter School 1910 N.E. Miami Court, Miami, FL 33132	6070	6 <sup>th</sup> , 7 <sup>th</sup> , and 8 <sup>th</sup>	390	Fernando Lopez

**Governance Structure**

The Board of Directors of ASPIRA of Florida, Inc. governs the Schools through each school's Education Council (governing board). The Board of Directors of ASPIRA of Florida, Inc. consists of the following members:

Victor Vazquez-Hernandez, Ph.D	Chairperson
Wendy B. Jones	Vice-Chair Fund Raising
Miream Sierra, MBA	Immediate Past Chairperson
Lydia Amy	Vice-Chair Programs and Planning
Gerardo Rodriguez-Menendez, Ph.D	Secretary
Laura R. H. Cory	Treasurer
Raul A. Martinez	President and CEO (non-voting member)

## Education Councils

The Education Council is composed of the Board Chair and one other Board member, the President and CEO, Vice-President of Charter School Operations, the School Principal (a non-voting member), and a parent representative.

	<u>ASPIRA North</u>	<u>ASPIRA South</u>	<u>ASPIRA Wynwood</u>
Chairperson	Victor Vazquez-Hernandez	Victor Vazquez-Hernandez	Victor Vazquez-Hernandez
Board member	Miream Sierra	Miream Sierra	Miream Sierra
Board member	Laura Corry	Laura Corry	Laura Corry
Board member	Lydia Amy	Lydia Amy	Lydia Amy
Parent representative	Wendy B. Jones	Andrew Barrett	Lourdes Moss
President and CEO	Raul Martinez	Raul Martinez	Raul Martinez
Vice-President of Schools	Aymet Chaples	Aymet Chaples	Aymet Chaples
Principal	Ileana D. Pena	Monica Starke	Fernando Lopez

### Basis of Presentation

The accounts of the Schools are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying special purpose financial statements, funds from the Schools' programs have been combined and presented in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations."

Under SFAS No. 117, the Schools are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Schools are required to present a statement of cash flows.

The Schools follow SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. In addition, the Schools recognize only those contributed services, which are provided by individuals possessing "specialized skills".

The special purpose financial statements present the combined financial positions, activities and cash flows for the ASPIRA North, South and Eugenio Maria De Hostos Leadership Charter Schools only and do not include the assets, liabilities, net assets and statements of activities and cash flows of ASPIRA of Florida, Inc.

For financial reporting purposes ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools are programs of ASPIRA of Florida, Inc. and are included in the Organization's annual financial statements.

### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Schools that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Schools use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

### Restricted and Unrestricted Revenue

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 of the 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.

Funds provided by the School Board through the State's Charter School Capital Outlay Funding pursuant to Section 228.0561 of the Florida Statutes (2001) are recorded 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 releases the funds.

Funds received from the Miami-Dade County Public School Board (the "School Board") and the State of Florida for the operation of the Charter Schools are recorded as exchange transactions.

#### Cash and Cash Equivalents

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

#### Capital Assets

Capital assets consist of buildings, leasehold improvements, furniture and equipment, and textbooks, are recorded at cost and depreciated using the straight-line method over a three to ten year estimated useful lives or in the case of leasehold improvements over the life of the lease. Contributed property and equipment is recorded at fair value at the date of donation. The Schools capitalize assets with cost greater than \$500 and a useful life greater than one year.

Repairs and maintenance are expensed as incurred. Improvements which increase the life of the assets are capitalized. The carrying amount of assets sold are retired and the related accumulated depreciation is eliminated in the year of disposal and the resulting gain or loss is credited or charged to operations.

#### Due To/From ASPIRA of Florida, Inc.

The Schools are accounted for as programs of ASPIRA of Florida, Inc. under a pooled cash system. All cash is received/paid by the Organization and Due To/From accounts are debited or credited for amounts owed to or due from the Schools. Interest earned on funds held by the Organization on behalf of the Schools is allocated back to the Schools based on the balances of the Due To/From at year end.

#### Revenue Sources

Student funding is provided by the State of Florida through the School Board of Miami-Dade County, Florida. Such funding is recorded as Full-Time Equivalent (FTE) nonspecific revenue. In accordance with the Charter Agreements, the School Board retains two percent as an administrative fee. This funding is received on a pro rata basis over the twelve month period and is adjusted for changes in full-time equivalent student population. After review and verification of FTE reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

#### Income Taxes

The Organization; and therefore the Schools; is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public supported organization.

### Use of Estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of receivables, the use and recoverability of inventory, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

### Reclassifications

Certain amounts in the 2007 financial statement presentation have been reclassified to conform to the 2008 presentation.

## II. TEMPORARILY RESTRICTED NET ASSETS

### Capital Outlay Funds

During 2008 and 2007, the School Board received an additional \$653,242 and \$661,790; respectively, of Section 228.0561, F.S. (2001), Charter Schools Capital Outlay Funding from the State on behalf of the Schools. The funds have been deposited with the School Board and will be distributed once the Schools 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, 2008 and 2007, the Schools have recorded a receivable from the School Board of \$555,953 and \$513,018 (net of allowance for doubtful accounts of \$197,337); respectively, and recorded the amount as temporarily restricted support. In 2008 and 2007, the Schools released \$610,307 and \$856,913; respectively, from restrictions by incurring expenses in accordance with approved Capital Outlay Plans.

As of June 30, 2008 and 2007, the Wynwood School had approximately \$248,000 and \$247,000; respectively, of approved Capital Outlay expenses, which have not been reimbursed due to a lack of available Capital Outlay Funds allocated to the Wynwood School by the State of Florida. Management has recorded a receivable for the \$247,000 with an allowance for doubtful accounts of approximately \$197,000, as it plans to collect approximately \$50,000 of the \$247,000 approved capital outlay expenses during the 2008-09 fiscal year.

## III. CAPITAL ASSETS

Capital assets consist of the following:

	June 30,	
	<u>2008</u>	<u>2007</u>
Buildings	\$ 442,036	\$ 442,036
Leasehold improvements	586,164	516,283
Furniture and equipment	410,219	195,676
Textbooks	<u>88,429</u>	<u>-</u>
	1,526,848	1,153,995
Less: Accumulated depreciation	<u>(560,612)</u>	<u>(395,431)</u>
	<u>\$966,236</u>	<u>\$758,564</u>

Leasehold improvements to the North School and Wynwood School of approximately \$516,283 were funded with Capital Outlay Funds. Approximately, \$247,000 of Wynwood School's approved capital outlay plan has not been reimbursed as of June 30, 2008 due to a lack of available Capital Outlay Funds allocated to the Wynwood School, the improvements were paid by the Organization and are included in the Due to ASPIRA of Florida, Inc.

During 2008, the Schools received approximately \$168,000 in donated computer equipment.

**IV. 403 (b) THRIFT RETIREMENT PLAN**

Effective July 1, 1997, the Organization established a 403 (b) Thrift Retirement Plan (the Plan) created in accordance with Internal Revenue Service Code Section 403(b) for all full-time employees of the Organization. Employees of the Schools are eligible to participate in the Plan. There are no minimum age or service requirements to contribute to the Plan and employees may contribute up to 16% of their gross salary. Employer contributions equal 100% of the first 2% of the participants' gross salary. To be eligible for employer contributions, the participant must be at least 21 years of age and have provided one year of service. Employer contributions are 100% vested upon the participants 65th birthday, or if earlier, upon completion of a five year vesting period. As of June 30, 2008 and 2007, there were 45 and 37, employees from the Schools participating in the Plan. For the fiscal year ended June 30, 2008 and 2007, the Schools contributed approximately \$36,000 and \$26,000 to the Plan.

The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, consequently, the Schools have no fiduciary responsibility therefore the net assets of the Plan are not included in the Schools' special purpose financial statements.

**V. RELATED PARTY TRANSACTIONS**

**School Facilities Lease - ASPIRA North School**

In 2007, the ASPIRA North School entered into a long-term operating lease for its facilities, with ASPIRA of Florida, Inc. The lease calls for monthly rental payments of \$20,000 per month starting on July 1, 2006 through June 30, 2017.

Rent expense paid to ASPIRA of Florida, Inc. totaled approximately \$240,000 for 2008 and 2007; respectively, and is included under "Operation of Plant" in the statement of activities.

The minimum future rentals to be paid by ASPIRA North School are as follows:

<u>June 30,</u>	
2009	\$240,000
2010	240,000
2011	240,000
2012	240,000
2013	240,000
2014-2017	<u>960,000</u>
	<u>\$2,160,000</u>

**VI. COMMITMENTS AND CONTINGENCIES**

School Facilities Lease - ASPIRA South and Wynwood Schools

The ASPIRA South and Wynwood Schools lease school facilities under the terms of two operating leases with monthly payments totaling approximately \$10,241 and \$35,954; respectively. The ASPIRA South lease expires on August 31, 2009. The ASPIRA Wynwood School's lease expires on August 31, 2008 and then its renewal on a month to month basis.

During 2006-07, fiscal year the Wynwood School increased its facilities and rent increased by approximately \$10,000 per month.

The minimum future rentals to be paid by ASPIRA South and Wynwood Schools are as follows:

<u>June 30,</u>	<u>ASPIRA South</u>	<u>Wynwood School</u>
2009	\$219,000	\$72,000
2010	<u>21,000</u>	-
	<u>\$240,000</u>	<u>\$72,000</u>

Rent expense totaled approximately \$117,000 and \$112,000 for the ASPIRA South School and \$424,000 and \$417,000 for the ASPIRA Wynwood School during 2008 and 2007, respectively.

During 2007, ASPIRA of Florida, Inc. entered into a commitment to purchase the building in which the Wynwood School operates. The purchase of the building has not been finalized as of the date of this report.

#### Payables

As of June 30, 2007, the Schools recorded accounts payable due to its former bus transportation vendor totaling \$136,140. The vendor has closed its South Florida office and the Schools have not been able to contact the regional office to settle the outstanding invoices. The Wynwood School did not accrue approximately \$49,000 of additional invoices owed to the bus company as these invoices are in dispute and it is management's position that the amounts are not owed to the former vendor.

During 2008, after numerous unsuccessful attempts by the Schools' management to contact the former bus transportation vendor and settle the accounts payable the balance of \$136,140 was written off.

#### Grants

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 applicable Schools. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Schools expect such amounts, if any, to be immaterial.

### **VII. RISK MANAGEMENT**

Insurance for general liability, automotive liability, and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

### **VIII. MANAGEMENT PLANS**

ASPIRA of Florida, Inc., is currently seeking financing for the expansion of its three charter school facilities in Miami-Dade County, Florida. This capital expansion plan will increase the Organization's capacity to serve an additional 900 middle school students yearly, raising enrollment from approximately 900 to 1,800 students. Upon completing all construction phases, the three community education campuses will triple the Organization's square footage to over 155,000 SF with nearly 6 acres of prime South Florida Miami-Dade County real estate.

Estimated increased enrollment and added square footage by school is as follows:

<u>School</u>	<u>Square Footage</u>	<u>Additional Enrollment</u>
ASPIRA North School	27,500	300
ASPIRA South School	40,000	400
Wynwood School	10,000	225

As of the date of the audit report, the Organization has completed 90% of the North School facility. The South and Wynwood School facilities are scheduled to be completed by June 30, 2009.

**COMBINING SPECIAL PURPOSE FINANCIAL STATEMENTS**

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

**COMBINING STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2008

	ASPIRA North Youth Leadership <u>Charter School</u>	ASPIRA South Youth Leadership <u>Charter School</u>	ASPIRA Eugenio Maria De Hostos Leadership <u>Charter School</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Due from the Miami-Dade County School Board				
-State of Florida Capital Outlay Distribution	\$ 277,278	\$ 190,231	\$ 88,444	\$ 555,953
Due from ASPIRA of Florida, Inc.	<u>666,476</u>	<u>824,618</u>	<u>-</u>	<u>1,491,094</u>
Total current assets	<u>943,754</u>	<u>1,014,849</u>	<u>88,444</u>	<u>2,047,047</u>
Capital Assets, Net	<u>486,191</u>	<u>125,087</u>	<u>354,958</u>	<u>966,236</u>
Total assets	<u>\$ 1,429,945</u>	<u>\$ 1,139,936</u>	<u>\$ 443,402</u>	<u>\$ 3,013,283</u>
<u>LIABILITIES</u>				
Due to ASPIRA of Florida, Inc.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,694</u>	<u>\$ 503,694</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>503,694</u>	<u>503,694</u>
<u>NET ASSETS</u>				
Net Assets				
Temporarily restricted	277,278	190,231	37,804	505,313
Unrestricted	<u>1,152,667</u>	<u>949,705</u>	<u>(98,096)</u>	<u>2,004,276</u>
Total net assets	<u>1,429,945</u>	<u>1,139,936</u>	<u>(60,292)</u>	<u>2,509,589</u>
Total liabilities and net assets	<u>\$ 1,429,945</u>	<u>\$ 1,139,936</u>	<u>\$ 443,402</u>	<u>\$ 3,013,283</u>

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

	ASPIRA North Youth Leadership <u>Charter School</u>	ASPIRA South Youth Leadership <u>Charter School</u>	ASPIRA Eugenio Maria De Hostos Leadership <u>Charter School</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current assets:				
Due from the Miami-Dade County School Board				
-Performance Pay (FEFP)	\$ 15,215	\$ 10,289	\$ 17,118	\$ 42,622
-State of Florida Capital Outlay Distribution	287,283	158,795	66,940	513,018
Due from ASPIRA of Florida, Inc.	<u>756,373</u>	<u>985,913</u>	-	<u>1,742,286</u>
Total current assets	<u>1,058,871</u>	<u>1,154,997</u>	<u>84,058</u>	<u>2,297,926</u>
Capital Assets, Net	<u>463,357</u>	<u>15,485</u>	<u>279,722</u>	<u>758,564</u>
Total assets	<u>\$ 1,522,228</u>	<u>\$ 1,170,482</u>	<u>\$ 363,780</u>	<u>\$ 3,056,490</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 42,480	\$ 52,440	\$ 41,220	\$ 136,140
Due to ASPIRA of Florida, Inc.	<u>-</u>	<u>-</u>	<u>385,578</u>	<u>385,578</u>
Total liabilities	<u>42,480</u>	<u>52,440</u>	<u>426,798</u>	<u>521,718</u>
<b><u>NET ASSETS</u></b>				
Net Assets				
Temporarily restricted	287,283	158,795	16,300	462,378
Unrestricted	<u>1,192,465</u>	<u>959,247</u>	<u>(79,318)</u>	<u>2,072,394</u>
Total net assets	<u>1,479,748</u>	<u>1,118,042</u>	<u>(63,018)</u>	<u>2,534,772</u>
Total liabilities and net assets	<u>\$ 1,522,228</u>	<u>\$ 1,170,482</u>	<u>\$ 363,780</u>	<u>\$ 3,056,490</u>

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINING STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

	ASPIRA North Youth Leadership <u>Charter School</u>	ASPIRA South Youth Leadership <u>Charter School</u>	ASPIRA Eugenio Maria De Hostos Leadership <u>Charter School</u>	<u>Total</u>
<u>Changes in Unrestricted Net Assets</u>				
Support and revenue				
Local-FTE	\$ 1,905,127	\$ 1,223,942	\$ 2,443,947	\$ 5,573,016
Federal grants	286,410	359,425	406,710	1,052,545
Local grants	81,761	20,100	8,771	110,632
In-kind contributions	27,395	130,869	29,741	188,005
Other	161,646	18,502	31,628	211,776
Interest	<u>28,492</u>	<u>36,523</u>	<u>-</u>	<u>65,015</u>
Total revenues	<u>2,490,831</u>	<u>1,789,361</u>	<u>2,920,797</u>	<u>7,200,989</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>240,000</u>	<u>117,014</u>	<u>253,293</u>	<u>610,307</u>
Total net assets released from restrictions	<u>240,000</u>	<u>117,014</u>	<u>253,293</u>	<u>610,307</u>
	<u>2,730,831</u>	<u>1,906,375</u>	<u>3,174,090</u>	<u>7,811,296</u>
Expenses:				
Instruction (Teachers)	1,312,956	880,577	1,406,114	3,599,647
Pupil personnel services	156,487	39,218	120,277	315,982
Instructional media service	28,673	26,632	29,272	84,577
Instructional and curriculum development services	16,260	4,640	6,071	26,971
General administration	135,900	142,296	131,735	409,932
School administration	214,860	243,646	238,238	696,743
Fiscal services	6,234	7,484	5,984	19,702
Student transportation services	96,470	116,290	308,092	520,852
Operation of plant	367,897	215,394	491,555	1,074,846
Maintenance of the plant	103,646	68,741	128,634	301,021
Food services	234,599	141,704	260,076	636,379
Community services	1,778	3,567	22,239	27,584
Depreciation	<u>94,870</u>	<u>25,727</u>	<u>44,581</u>	<u>165,178</u>
Total expenses	<u>2,770,629</u>	<u>1,915,917</u>	<u>3,192,868</u>	<u>7,879,414</u>
Increase (decrease) in unrestricted net assets	<u>(39,798)</u>	<u>(9,542)</u>	<u>(18,778)</u>	<u>(68,118)</u>
<u>Changes in Temporarily Restricted Net Assets</u>				
Contributions and grants	229,995	148,450	274,797	653,242
Net assets released from restrictions	<u>(240,000)</u>	<u>(117,014)</u>	<u>(253,293)</u>	<u>(610,307)</u>
Increase (decrease) in temporarily restricted net assets	<u>(10,005)</u>	<u>31,436</u>	<u>21,504</u>	<u>42,935</u>
Increase (decrease) in net assets	<u>(49,803)</u>	<u>21,894</u>	<u>2,726</u>	<u>(25,183)</u>
Net assets, beginning	<u>1,479,748</u>	<u>1,118,042</u>	<u>(63,018)</u>	<u>2,534,772</u>
Net assets, ending	<u>\$ 1,429,945</u>	<u>\$ 1,139,936</u>	<u>\$ (60,292)</u>	<u>\$ 2,509,589</u>



**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINING STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

	ASPIRA North Youth Leadership <u>Charter School</u>	ASPIRA South Youth Leadership <u>Charter School</u>	ASPIRA Eugenio Maria De Hostos Leadership <u>Charter School</u>	<u>Total</u>
<u>Changes in Unrestricted Net Assets</u>				
Support and revenue				
Local-FTE	\$ 1,729,879	\$ 1,163,007	\$ 2,006,589	\$ 4,899,475
Federal grants	309,534	360,259	444,281	1,114,074
Local grants	-	-	485,760	485,760
Other	71,750	49,113	70,361	191,224
Interest	<u>30,389</u>	<u>39,611</u>	<u>-</u>	<u>70,000</u>
Total revenues	<u>2,141,552</u>	<u>1,611,990</u>	<u>3,006,991</u>	<u>6,760,533</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>437,292</u>	<u>156,426</u>	<u>263,195</u>	<u>856,913</u>
Total net assets released from restrictions	<u>437,292</u>	<u>156,426</u>	<u>263,195</u>	<u>856,913</u>
	<u>2,578,844</u>	<u>1,768,416</u>	<u>3,270,186</u>	<u>7,617,446</u>
Expenses:				
Instruction (Teachers)	996,113	688,506	1,403,172	3,087,791
Pupil personnel services	95,057	106,750	175,564	377,371
Instructional media service	26,710	22,763	-	49,473
Instructional and curriculum development services	57,019	20,681	110,122	187,822
Instructional staff training services	1,929	1,019	-	2,948
General administration	189,586	186,681	156,136	532,403
School administration	228,389	121,761	271,480	621,630
Fiscal services	5,000	5,000	5,000	15,000
Student transportation services	136,780	161,930	257,938	556,648
Operation of plant	331,075	175,116	581,585	1,087,776
Maintenance of the plant	115,298	66,182	196,139	377,619
Food services	192,506	137,593	236,610	566,709
Depreciation	<u>81,817</u>	<u>8,863</u>	<u>18,163</u>	<u>108,843</u>
Total expenses	<u>2,457,279</u>	<u>1,702,845</u>	<u>3,411,909</u>	<u>7,572,033</u>
Increase (decrease) in unrestricted net assets	<u>121,565</u>	<u>65,571</u>	<u>(141,723)</u>	<u>45,413</u>
<u>Changes in Temporarily Restricted Net Assets</u>				
Contributions and grants	245,610	161,354	254,826	661,790
Net assets released from restrictions	<u>(437,292)</u>	<u>(156,426)</u>	<u>(263,195)</u>	<u>(856,913)</u>
Increase (decrease) in temporarily restricted net assets	<u>(191,682)</u>	<u>4,928</u>	<u>(8,369)</u>	<u>(195,123)</u>
Increase (decrease) in net assets	<u>(70,117)</u>	<u>70,499</u>	<u>(150,092)</u>	<u>(149,710)</u>
Net assets, beginning	<u>1,549,865</u>	<u>1,047,543</u>	<u>87,074</u>	<u>2,684,482</u>
Net assets, ending	<u>\$ 1,479,748</u>	<u>\$ 1,118,042</u>	<u>\$ (63,018)</u>	<u>\$ 2,534,772</u>

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>ASPIRA North Youth Leadership Charter School</u>	<u>ASPIRA South Youth Leadership Charter School</u>	<u>ASPIRA Eugenio Maria de Hostos Leadership Charter School</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ (49,803)	\$ 21,894	\$ 2,726	\$ (25,183)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities				
Depreciation	94,870	25,727	44,581	165,178
Write off of accounts payable	(42,480)	(52,440)	(41,220)	(136,140)
Allowance for doubtful accounts	17,754	13,730	20,560	52,044
Non-cash in-kind contribution of capital assets	(27,395)	(114,255)	(32,239)	(173,889)
(Increase) decrease in:				
Due from School Board of Miami-Dade County				
-Performance Pay (FEFP)	15,215	10,289	17,118	42,622
-State of Florida Capital Outlay Distribution	10,005	(31,436)	(21,504)	(42,935)
Due to/from ASPIRA of Florida, Inc., net	<u>72,143</u>	<u>147,565</u>	<u>97,556</u>	<u>317,264</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>90,309</u>	<u>21,074</u>	<u>87,578</u>	<u>198,961</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	<u>(90,309)</u>	<u>(21,074)</u>	<u>(87,578)</u>	<u>(198,961)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(90,309)</u>	<u>(21,074)</u>	<u>(87,578)</u>	<u>(198,961)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	-	-	-
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	-	-	-	-
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	ASPIRA North Youth Leadership <u>Charter School</u>	ASPIRA South Youth Leadership <u>Charter School</u>	ASPIRA Eugenio Maria de Hostos Leadership <u>Charter School</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ (70,117)	\$ 70,499	\$ (150,092)	\$ (149,710)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities				
Depreciation	81,817	8,863	18,163	108,843
Allowance for doubtful accounts	-	-	197,337	197,337
(Increase) decrease in:				
Due from School Board of Miami-Dade County				
-Performance Pay (FEFP)	(15,215)	(10,289)	(17,118)	(42,622)
-State of Florida Capital Outlay Distribution	191,683	(4,927)	(239,608)	(52,852)
Accounts payable	42,480	52,440	41,220	136,140
Due to/from ASPIRA of Florida, Inc., net	36,795	(114,267)	398,938	321,466
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>267,443</u>	<u>2,319</u>	<u>248,840</u>	<u>518,602</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	<u>(267,443)</u>	<u>(2,319)</u>	<u>(248,840)</u>	<u>(518,602)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(267,443)</u>	<u>(2,319)</u>	<u>(248,840)</u>	<u>(518,602)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	-	-	-
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	-	-	-	-
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTARY AUDITORS' REPORTS**



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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

**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  
ASPIRA of Florida, Inc.  
Miami, FL

We have audited the special purpose financial statements of the ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools (the Schools) as of and for the fiscal year ended June 30, 2008, and have issued our report dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schools' 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Schools' financial statements that is more than inconsequential will not be prevented or detected by the Schools' internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, listed as items 2008-1.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, none are considered to be material weaknesses.

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' 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 or other matters that are required to be reported under *Government Auditing Standard*.

The Schools' responses to the findings and recommendations identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Schools' responses and, accordingly, we express no opinion on them.

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.

*Alfonso Caballero & Castellanos LLP*

Coral Gables, Florida  
August 29, 2008



Alberni, Caballero  
& Castellanos, L.L.P.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.  
Miami, FL

Compliance

We have audited the compliance of the ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools (the Schools) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Schools' management. Our responsibility is to express an opinion on the Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Schools' compliance with those requirements.

In our opinion, the Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and responses as item 2008-1.

Internal Control Over Compliance

The management of the Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over compliance.

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Directors, management and the U.S. Department of Agriculture and is not intended to be and should not be used by anyone other than those specified parties.

*Alban Caballero & Castellanos LLP*

Coral Gables, Florida  
August 29, 2008



**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Agency, Pass-through Entity <u>Federal Program</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
<b><i>U.S. Department of Education</i></b>			
Indirect Programs:			
Pass-Through the Miami-Dade County Public School Board Adult Education_State Grant	84.010	N/A	\$ 424,041
Pass-Through Florida International University Gaining Early Awareness and Readiness for Undegraduate Programs (Gear-Up)	84.334	541824000-01-D	<u>139,977</u>
<b><i>Total U.S. Department of Education</i></b>			<u>564,018</u>
<b><i>U.S. Department of Agriculture</i></b>			
Indirect Programs:			
Pass-Through State of Florida Department of Education National School Lunch Program	10.555	01-0410	<u>488,527</u>
<b><i>Total U.S. Department of Agriculture</i></b>			<u>488,527</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,052,545</u>

N/A - Not Available

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. GENERAL**

The Schedule of Expenditures of Federal Awards included herein represents all of the Federal grant awards of ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools (the Schools) over which the Schools exercised direct operating control for the fiscal year ended June 30, 2008.

**2. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting and includes expenses incurred by the Schools during its fiscal year July 1, 2007 to June 30, 2008.

**3. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

All Federal grant operations of the Schools are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March 2008, the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all of the Federal award programs with 2008 expenditures that ensure coverage of at least 25% of Federally granted funds, as the Schools qualified to be audited as a low risk auditee. Actual coverage is approximately 46% of total cash Federal award program expenses.

<u>Major Federal Award Program Description</u>	<u>Expenditures</u>
National School Lunch Program	\$ <u>488,527</u>



Albani, Caballero  
& Castellanos, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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**MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850 RULES  
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.  
Miami, FL

We have audited the special purpose financial statements of the ASPIRA North, South and Eugenio Maria De Hostos Youth Leadership Charter Schools (the Schools) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated August 29, 2008.

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 report on internal control over financial reporting and on compliance and other matters; which is dated August 29, 2008, and should be considered in conjunction with this management letter.

In connection with our audit of the special purpose financial statements of the Schools for the fiscal year ended June 30, 2008, we report the following in accordance with Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that certain items be addressed in this letter. Those items, which are listed in Section 10.854 are as follows:

1. In connection with our audit, we determined that the Eugenio Maria De Hostos Youth Leadership Charter School (the Wynwood School) did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the Wynwood School reported deficit unrestricted net assets of \$98,096 as of June 30, 2008, the Wynwood School had unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the Wynwood School's ability to carry out its functions.
2. The status of recommendations made in the preceding annual financial audit are reported in the Schedule of Findings and Recommendations.
3. Recommendations to improve the Schools' present financial management, accounting procedures and internal controls are accompanying this report in the Schedule of Findings and Recommendations.
4. During the course of our audit, we did not find any:
  - a. Violation of any laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have a materially affected the financial statements.
  - b. Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
  - c. Deficiencies in internal control that are not reportable condition, including but not limited to:
    - (1) Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); and
    - (2) Failures to properly record financial transactions.

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.

5. The names of the charter schools are as follows:

ASPIRA North Youth Leadership Charter School  
ASPIRA South Youth Leadership Charter School  
Eugenio Maria De Hostos Youth Leadership Charter School

6. Sections 10.855 (10), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by 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.

*Albano Caballero & Castellanos LLP*

Coral Gables, Florida  
August 29, 2008

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weaknesses?	Yes
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major programs:

\_\_\_\_\_ Program    CFDA #

National School Lunch Program	10.555
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Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
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Auditee qualified as low risk auditee?	Yes
--	-----

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2008**

**I. CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

See 2008-1 in Current Year Federal Awards Findings

**II. CURRENT YEAR FEDERAL AWARDS FINDINGS**

**REPORTABLE CONDITION**

**2008-1 CASH MANAGEMENT- FOOD AND NUTRITION**

**Condition:** During our testing of revenues we noted that the Schools were not reimbursed for costs incurred during the month of September 2006 under the federally funded Food and Nutrition Program. The Schools are required to submit monthly claims for reimbursement online within 60 days after the month of service. The Schools did not meet the 60 day deadline.

As of June 30, 2007, the Schools had recorded a receivable for the amount due of approximately \$52,000 and were appealing the funder's decision to not reimburse the amount due. During 2008, the appeal was denied and the Schools wrote off the receivable.

**Cause:** The Schools were not able to submit the claim timely.

**Effect:** The Schools lost funding of approximately \$52,000 for the Month of September 2006 and wrote off the receivable during 2008.

**Recommendation:** Currently, the Vice President of the Charter School operation is responsible for submitting the online claims for reimbursement. We recommend that the responsibility for submitting the online claims be assigned to the Finance Department.

**View of Responsible Officials and Planned Corrective Actions:**

The Reportable Condition has been corrected by establishing fiscal controls through the Finance Department and the Vice President of Charter School Operations. The Finance Department in collaboration with our Charter School Operations has purchased a software named M-Check 2000 Stand Alone Limited and the Out Reach Central Office Management Software to control the point of sale of all transactions in the lunchroom. The M-Check 2000 is the software that is used on a day to day for all point of sale purchases. The Out Reach Central Office Management Software is the focal point used to facilitate the information flow through Microcheck's school food service meal accountability systems. As an all-inclusive product, it serves the district central food service department by providing a common data source for centralized free and reduced application processing, district meal accountability and government reporting. This will improve the timeliness in consolidating all reports and submitting final data by the due date. This system was in full operation during the 2007-08 school year and has reported no issues during this year.

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2008**

**III. STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

**OTHER MATTERS**

**2007-1 Deficit and Operating Losses- Wynwood School**

**Condition:**

During our testing, we noted that the Wynwood School incurred an operating loss of \$141,723 during 2007 and had also incurred an operating loss in 2006. The current year's operating loss resulted in deficit net assets of \$63,018. Miami-Dade County School Board requires that charter schools with significant operating losses or deficit cash positions disclose management's plans to continue the school in operation.

**Current Year Status:**

The Wynwood School reported an increase in net assets of \$2,726 during 2008. This was an improvement from the loss incurred in 2007 of \$141,723; however, there remains a deficit unrestricted net asset balance of \$98,096. **This condition will be repeated.**

**View of Responsible Officials and Planned Corrective Actions:**

During the 2007-08 the school has shown major improvement over the previous year. Enrollment increased by sixty students and will continue to increase by an additional 60 students for the 2008-09 year. During the 2006-07 the school showed net assets of (150,092). For the 2007-08 the school will be closing with a net assets of \$ 2,726. The school will continue to show improvement during the 2008-09 year by continuing the ongoing financial savings efforts.

**ASPIRA NORTH, SOUTH AND EUGENIO MARIA DE HOSTOS  
YOUTH LEADERSHIP CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2008**

**III. STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (Continued)**

**OTHER MATTERS (Continued)**

**2005-1 ACCOUNTING MANUAL**

During our cash disbursement testing we noted that the Organization has an accounting manual, which covers procedures for cash disbursements and receipts as well as other accounting functions. However, we noted areas where the manual could be improved. For example:

- A. The Organization's procurement procedures should be reviewed and at a minimum include:
  - a) Board approval for major purchases or contracts,
  - b) A formal bid process for major purchases and professional services,
  - c) Requirements to obtain written or oral quotes for minor purchases,
- B. The manual was originally drafted without the position of a Director of Finance. During 2005, the Organization hired a Director of Finance and we recommend that his position be incorporated into accounting manual to provide additional checks and balances.
- C. The manual does not include procedures for recording in-kind contributions.

**Recommendation:**

We recommend that the Organization update its current accounting manual to include the recommendations noted above and submit to its Board for approval.

**Current Year Status:**

Management has developed an accounting manual and procurement manual and has presented to the Board for approval. However, as of June 30, 2008, the manuals have not been approved. **This recommendation will be repeated.**

**View of Responsible Officials and Planned Corrective Actions:**

ASPIRA of Florida, Inc. has an approved Accounting Manual. It was recommended by the auditor to update the manual with the current best practices. ASPIRA has completed the Manual and as been approved by the Board of Directors. The manual will take effect beginning July 1, 2008







AN INVESTMENT IN LATINO YOUTH



ASPIRA OF FLORIDA, INC.

Corporate Offices for ASPIRA'S Charter Schools and Youth Leadership Development Outreach Programs

4100 N.E. 2nd Avenue, Suite 302 Miami, Florida 33137 (305) 576-8494 Fax (305) 576-6217

Website: <http://fl.aspira.org>

October 31, 2008

Mr. Allen M. Vann, CPA  
Chief Auditor  
Office of Management and Compliance Audits  
Miami-Dade County Public Schools  
1450 N.E. Second Avenue, Room 415  
Miami, FL. 33132

Dear Mr. Vann:

On behalf of the ASPIRA of Florida, Inc. Board of Directors, we are submitting the attached report in response to questions raised in your letter dated October 7, 2008.

In reviewing Florida Statutes Section 218.503 *Statement of Financial Emergency*, we are of the opinion that De Hostos Leadership Charter School does not meet the definition of Financial Emergency because:

- (a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of lack of funds.

*Response: ASPIRA of Florida, Inc. has never been in default of a loan nor any long-term debt payments.*

- (b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.

*Response: ASPIRA of Florida, Inc. has never failed to pay creditors and has no outstanding liens*

- (c) Failure to transfer at the appropriate time, due to lack of funds:
  - 1. Taxes withheld on the income of employees; or
  - 2. Employer and employee contributions for:
    - a. Federal social security; or
    - b. Any pension, retirement, or benefit plan of an employee.

*Response: ASPIRA of Florida, Inc. in compliance with all quarterly 941's and yearly 990. All transfer and contributions has submitted in a timely manner.*



LEADERSHIP THROUGH EDUCATION  
MIAMI-DADE, BROWARD AND PALM BEACH COUNTIES



- (d) Failure for one pay period to pay, due to lack of funds:
1. Wages and salaries owed to employees; or
  2. Retirement benefits owed to former employees.

*Response: ASPIRA of Florida, Inc. has always paid wages and salaries each pay period.*

- (e) An unreserved or total fund balance or retained earnings deficit, or unrestricted or total net assets deficit for which sufficient resources are not available.

*Response: ASPIRA of Florida, Inc. prepares the special purpose financial statements for the School in accordance with the GAAP hierarchy. Our financial position following this model is explained in detail in the attached plan.*

Please review the enclosed information and let us know if you need any further clarity prior to the December 2<sup>nd</sup> School Board Committee Meeting.

Kindly contact me should you require additional information.

Thank you in advance for your help in this matter.

Sincerely,



Raul A. Martinez  
President & CEO



**EUGENIO MARIA DE HOSTOS  
CHARTER SCHOOL  
FINANCIAL EXPLANATION**

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## **1. OVERVIEW**

Eugenio Maria De Hostos (The School) is one of three Charter Schools that operates as a program of ASPIRA of Florida, Inc. The School's Charter was approved by the Miami-Dade County School Board on April 2001, and has been in operation ever since.

During the 2007-08 fiscal year, the School showed an unrestricted net assets deficit and net assets deficit of \$98,096 and \$60,292, respectively.

The School operates with all the resources available to ASPIRA of Florida, Inc. As disclosed in the notes to the Special Purpose Financial Statements, the Schools are programs of ASPIRA of Florida, Inc. (a nonprofit organization) and according to the Rules of the Auditor General Chapter 10.855 (3) are not required to follow the Governmental Accounting Standards. Since the Schools are not organized as separate legal entities and are operated by a nonprofit (ASPIRA of Florida, Inc.) which operates other charter Schools they may prepare Special Purpose Financial Statements in accordance with the GAAP hierarchy required by the entity that operates the Schools.

Since ASPIRA of Florida, Inc. is required to issue separate Special Purpose Financial Statements for the charter schools, a "Due To/From ASPIRA of Florida, Inc. was established for each School. The Due To/From ASPIRA of Florida, Inc. represents the excess or deficiencies of the charter school operations and the charter schools' cash position. ASPIRA of Florida, Inc. funded the School's deficit for the 07/08 fiscal year and expects to be reimbursed once the completed facility expansion project has been finalized (see notes in Financial Statements). In addition, ASPIRA of Florida, Inc. has entered into a contract to purchase the facility where the School currently operates allowing the School to further expand its space and therefore increase enrollment.

The School incurred a decrease in unrestricted net assets of (\$18,778) during 2008. However, the School did report a net increase in net assets of \$2,726 which was a significant improvement over last year's decrease of (\$150,092). During 2008 the School did enforce all of the cost cutting measures that was stated in the 2007 Financial Recovery Plan. Monthly meetings were conducted to monitor trend analysis on expenditures. There was a reduction of 17% in costs related to the Operation of Plant over last year. In addition, the school also reduced School & General Administration costs by 16% over last year.

Although the finances improved by \$147K over last year, that still did not allow the School to meet the projected operating surplus of \$254,777 mentioned in the 2007 financial recovery plan. There were one-time charges incurred for facility expansion. Due to the growth span of the number of students on the waiting list, ASPIRA continued to take action steps in the planning process for expanding the facility. In order to increase enrollment and at the same time be in compliance with Classroom Size Reduction, it was determined that to continue with the growth pattern the School needed additional classroom space as well as a larger cafeteria to achieve

higher enrollment goals. During the summer of 2006 staff met with the owner of the facility and negotiated additional leased space for additional classrooms and a new cafetorium.

Once the lease was signed, staff immediately started with the permitting and code compliance process, which caused unforeseen delays in the School's planned expansion due to new code compliances. The School incurred expenses for the additional leased space that totaled \$170,000 for the 07-08 fiscal year.

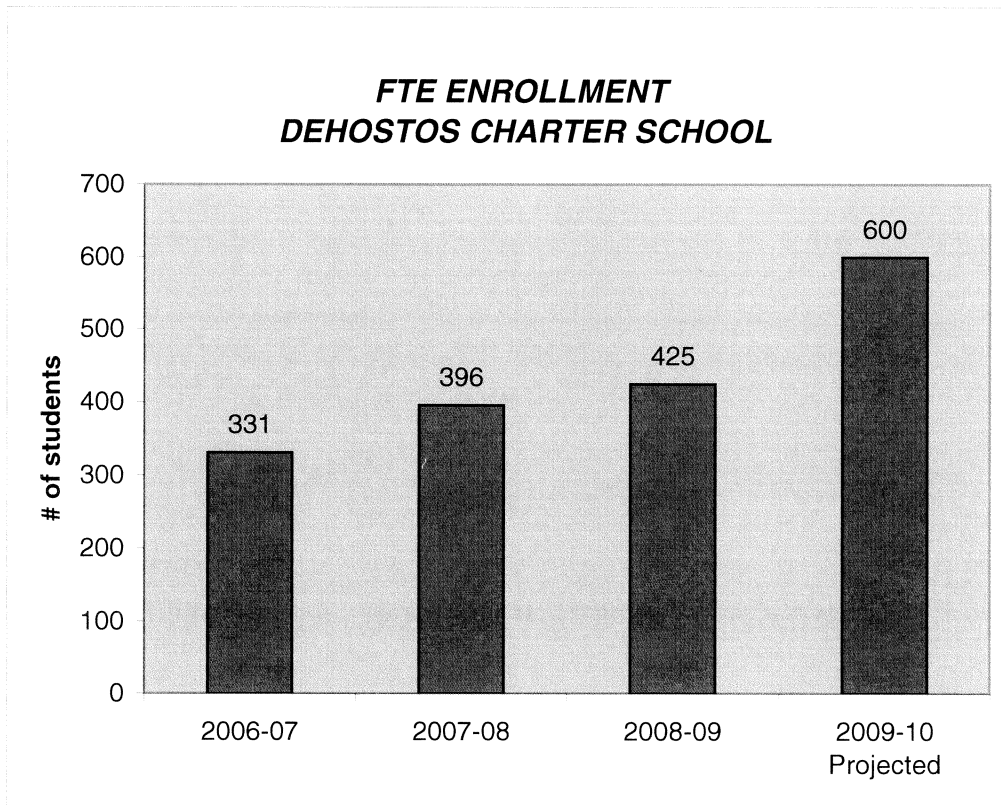
Even with these one-time expenses, the School was able to meet all financial obligations, including payroll, tax liabilities and vendor payables, therefore not meeting the definition of Financial Emergency. We again would like to reiterate that all three of ASPIRA's charter schools are programs of ASPIRA of Florida, Inc.

Regarding the external auditor reportable condition on Food and Nutrition, this is a condition that was reported for 2006 and under appeal with the NSLP Food and Nutrition department. Although the lost claim was approximately \$52,044, the School's portion of this condition was approximately \$20,559. The School is an approved site under ASPIRA of Florida, Inc. therefore the receivable booked was only for this portion. Since the appeal was denied ASPIRA of Florida, Inc. wrote off the receivable as of June 30, 2007. As stated by our external auditor a series of controls were in place to avoid missing the deadlines to submit future claims. During the 2007-08 fiscal year all claims were submitted on time and funding was received.

For the external auditor under Other Matters it was indicated that the Accounting Manual needed to be updated. Please note, that ASPIRA of Florida, Inc. did have an approved accounting manual. The accounting manual was updated and approved Board of Directors and took effect July 1, 2008.

## 2. **ACTIONS TAKEN**

For the 2008-09 the School has increase FTE by an additional 29 students for a total of 94 additional FTE over the last two years (see enrollment chart).



The goal of the School is to enroll 600 students by the 2009-10 school year. Staying in compliance with Class Size Reduction, there are 425 students enrolled in the School and a waiting list of an additional 100 students that are planning to attend.

Due to the academic performance and the other successful outcomes, such as a comprehensive before and after school program the behavior and social adaptation of student and the parental involvement at the School, ASPIRA of Florida, Inc. has determined to pursue a more cost benefit approach and acquire the building. The ASPIRA of Florida, Inc. Board of Directors has approved a plan to purchase the facility and perform all renovations necessary to comply with increase enrollment to 600 middle school students.



### **3. OTHER SUPPORTING ACTIONS TAKEN**

In addition to the ongoing initiatives, staff has continued to undertake a number of supportive actions to improve the finances of the School. Since implementing these actions the School was able to show a positive net assets for the FY 2008 and will continue during the 08-09 year.

- ASPIRA will continue with purchase process of the facility currently leased by the School. This will allow increase in capacity and therefore increase revenue stream.
- Continuation of monthly YTD Budget vs. Actual expenditure analysis.
- Monitor and establish a contingency plan in case there are problems with any contractors of the School which could affect enrollment.
- Monitor income and expense trends for any one-time charges to ensure there is available funding to cover those charges.
- Continue to explore other funding sources, such as grants to supplement FTE funds.

The pro-forma financial statement projection provides a glimpse to the future and financial outlook of the School. ASPIRA of Florida, Inc. is well aware and is taking the necessary and proper steps to ensure continued financial soundness of the School.

**DEHOSTOS CHARTER - PROFORMA BUSINESS PLAN  
INCOME STATEMENT PROJECTION**

	2008-09	2009-10	2010-11
<b>Revenue</b>			
<i>Government</i>			
FTE Per Pupil	2,614,430	3,783,817	4,030,999
Capital Outlay	343,350	457,800	457,800
Title 1	243,615	297,611	306,540
Other Government		-	-
	3,201,395	4,539,228	4,795,339
<i>Other Revenue</i>			
National Lunch Program	217,060	243,572	297,920
Other Revenue	383,407	394,909	420,120
Total Other Revenue	600,467	638,481	718,040
<b>Total Revenue:</b>	<b>3,801,862</b>	<b>5,177,709</b>	<b>5,513,379</b>
<b>Expenses</b>			
<i>Salaries</i>			
Instructional:	1,669,875	2,084,983	2,119,600
Administrative:	279,593	596,424	641,093
Benefits:	389,894	549,215	556,139
<b>Total Salaries:</b>	<b>2,339,362</b>	<b>3,230,622</b>	<b>3,316,832</b>
Occupancy	225,661	230,224	233,491
Operation & Maintance	153,454	171,336	326,054
Professional	121,222	135,644	177,514
Transportation	320,680	443,023	464,753
Other Administrative	386,537	560,285	568,433
<b>Total Charter School Overhead Expenses:</b>	<b>1,207,554</b>	<b>1,540,512</b>	<b>1,770,245</b>
<b>Total Salaries &amp; Overhead Exp C.S.:</b>	<b>3,546,916</b>	<b>4,771,134</b>	<b>5,087,077</b>
<b>Earnings before Interest and Depreciation</b>	<b>254,946</b>	<b>406,575</b>	<b>426,302</b>
<b>Interest Expense</b>	<b>204,000</b>	<b>297,828</b>	<b>297,828</b>
<b>Net Surplus / (Deficit)</b>	<b>50,946</b>	<b>108,747</b>	<b>128,474</b>



Proceeds for the following three year span is scheduled to reimburse the "DUE TO ASPIRA"

#### **4. RISK ASSESSMENT**

The School continues to be on track financially and academically. The Governing Board of Directors of ASPIRA of Florida, Inc. and Staff continues to move forward with the acquisition of the building since it would be more cost effective than leasing. The School's site is strategically located in the tri-town area of Midtown, Overtown and Downtown, currently, the fastest growing area of Miami-Dade County. The Board has decided to purchase the building and secure the School's facilities in order to prevent huge increases in future rents.

As mentioned, the School continues to show over 100 students that are on the current waiting list; however, we are restricted on the amount of space. Currently, ASPIRA of Florida, Inc. finds itself in a very positive position to have the opportunity to purchase the building, occupy and fulfill its potential FTE capacity.

The School has an array of community partners dedicated to reach its community that range in services from academic, counseling and Miami-Dade partners. The academic institutions include Barry University, Florida International University, Miami-Dade College, DeVry University, and Carlos Albizu University. Our counseling partners include ASPIRA of Florida, Inc., Stay in School, Citrus Mental Health Center, New Horizons Community Mental Health Center, Inc., and Sistema Universitario Ana G. Mendez Broward Campus. We also have a partnership in the vision area with Cobb Optical. Our Miami-Dade partners include Girl Scouts of Tropical South Florida, The Children's Trust, United Way, Damien B. Art Gallery, and Assisting Families Through Divorce, Inc.

The School achieved a grade of "B" under the Florida A++ Plan, which was an improvement from last year's "C" grade. Reculturing the school and changing instructional practices continues to be the focal points of the new initiative. In an area where most of the middle schools have performed poorly on state assessments, it is imperative to point out that statistically, The School has outperformed its neighboring schools with similar demographics. Parents choose the School because of its innovative programs in classroom management, student discipline, school to community relations, and rigorous academic program. Professional development continues to play a key part in these efforts for staff and parents. With a low expectation of science achievement scores and declining writing test scores throughout the area, the school has established academic teams for the Language Arts/Reading/Social Studies/Fine Arts and Mathematics/Science/Physical Education classes. These teams include administrators, counselors, community involvement specialists and an academic coach. These teams have helped the School to personally reach out to students to assist them with issues that are keeping students from academic excellence. The continuation of this model will be essential in our efforts to increase student performance. As a result of these efforts our discipline problems and classroom management issues decreased (38)% during the past year. The School also provides parents information about choice options: public school choice with transportation due to No Child Left Behind (NCLB). Although parental involvement has increased, ongoing efforts need to be made to increase the connection among the home, school and community. Bi-lingual parent outreach programs, although light in attendance, opened the door to parents to visit the school and become more involved with the teachers of their children.

**School Accountability Report**  
 Click on the column header to re-sort by that column.

School Number	School	Level	School Year (Click on year to see detailed report)	Grade (Includes Learning Gains) more info	% Meeting High Standards in Reading	% Meeting High Standards in Math	% Meeting High Standards in Writing	% Meeting High Standards in Science	% Making Learning Gains in Reading	% Making Learning Gains in Math	% of Lowest 25% Making Learning Gains in Reading	% of Lowest 25% Making Learning Gains in Math	Bonus points for 11th-12th grade Retakes	Points Earned (Sum of Previous 9 Columns) more info	Percent Tested	% Free and Reduced Lunch	Minority Rate
<b>Date</b>																	
6070	ASPIRA EUGENIO MARIA DE HOSTOS CHARTER	Middle	2006-07	C	51	47	91	27	64	68	70	73	NA	491	100	96	99
		Middle	2005-06	C	45	43	80		66	64	79			377	100	96	99
		Middle	2004-05	C	36	34	77		61	59	68			335	100	90	99
		Middle	2003-04	C	35	32	83		58	55	78			341	100	93	98
		Middle	2002-03	D	35	27	35		73	60	75			305	100	97	99

The data above is a clear indication of the commitment of the School. The School serves students, parents, and community members while continuing to provide students with a culturally sensitive and safe learning environment. It will continue to encourage students to develop their academic and personal potential through the ASPIRA Process of Youth Leadership Development. As you can see, the School's mission continues to encourage teachers, parents, youth and community to work together in maintaining a sanctuary where the student, teacher, and subject maintain the essence of academic excellence.

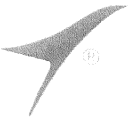
## **5. CONCLUSION**

ASPIRA has introduced a new cycle of its business plan. In upcoming years, ASPIRA is pursuing a strategic facility master plan to meet the growing educational and developmental needs of youth. ASPIRA developed its proforma with the assumptions of charter school student enrollment of 600 students per campus to secure financial self-sufficiency.

ASPIRA is engaged in creating an educational environment that will produce positive outcomes by raising FCAT scores, improving student achievement, increasing school attendance, improving student behavior, and promoting parent involvement for our students and their families.

ASPIRA of Florida, Inc. has been serving this community for over 27 years and through its leadership, drive and financial soundness has been able to achieve high results in the community's youth.

In summary, the School is not in a Financial Emergency nor has it ever been. Based on the current year's interim projections, we expect to significantly reduce or eliminate the deficit in net assets. Last year's loss was due to one-time issues that occurred and have been corrected. Our pro-forma financial statements show the School's vitality, financial strength and future expansion plan. Eugenio Maria De Hostos Charter is an example of what a true community charter school should be.



ASPIRA OF FLORIDA, INC.  
Corporate Offices for ASPIRA'S Charter Schools and Youth Leadership Development Outreach Programs  
4100 NE 2nd Avenue, Suite 302 Miami, Florida 33137 (305) 576-8494 Fax (305) 576-6217  
Website: <http://fl.aspira.org>

November 17, 2008

Mr. Trevor L. Williams  
Miami-Dade County Public Schools  
Financial Recovery Plan Staff Group  
Chairperson

Dear Mr. Williams,

After meeting with the Miami Dade County Public Schools Financial Recovery Plan Staff Group (FRSG) on November 14, 2008, ASPIRA of Florida, Inc. staff is recommending to our board of directors that the following resolution be adopted on our next scheduled Board of Directors' meeting, December 13, 2008.

**Resolution:** ASPIRA of Florida, Inc. authorized by its Board of Directors, resolves not to call the note "due to" ASPIRA of Florida, Inc. from Eugenio María de Hostos Charter School until such time as when the school is solvent to repay such note without jeopardizing the school's financial viability".

Approving this resolution will ease the burden on the school moving forward, allowing the program to be out of financial emergency. Eugenio María De Hostos Charter School is a program of ASPIRA of Florida, Inc. therefore should be given the financial support of the organization.

This resolution will be included in the December 13 board meeting agenda. Should you have any questions or concerns, please do not hesitate to call me.

Sincerely,

Raul A. Martinez  
President and CEO

C.c. Board Members  
Aymet Chaples, Vice President  
George Cabrera, Finance Director  
Fernando Lopez, Principal



LEADERSHIP THROUGH EDUCATION  
MIAMI-DADE, BROWARD AND PALM BEACH COUNTIES



FINANCIAL STATEMENTS FOR  
**ASPIRA OF FLORIDA, INC.**  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2008 AND 2007

ASPIRA OF FLORIDA, INC.  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
ASPIRA of Florida, Inc.  
Miami, Florida

We have audited the accompanying statement of financial position of ASPIRA of Florida, Inc. (the "Organization") as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASPIRA of Florida, Inc. as of June 30, 2008 and the results of its changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying statement of functional expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2008 on our consideration of the Organization's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Coral Gables, Florida  
August 29, 2008

ASPIRA OF FLORIDA, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 130,858	\$ 1,128,939
Cash and cash equivalents held by trustee	2,623,383	-
Due from Miami-Dade County Public Schools, net	555,953	555,640
Receivables	1,098,545	752,806
Property plant and equipment, Net	10,621,985	4,256,588
Prepays	21,080	38,346
Other assets	<u>73,770</u>	<u>64,554</u>
Total assets	<u>\$ 15,125,574</u>	<u>\$ 6,796,873</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 894,802	\$ 242,309
Compensated absences	105,936	98,297
Refundable advances	136,996	-
Long term debt	<u>8,947,313</u>	<u>1,572,156</u>
Total liabilities	<u>10,085,047</u>	<u>1,912,762</u>
Net Assets:		
Unrestricted	4,535,214	4,421,733
Temporarily restricted	<u>505,313</u>	<u>462,378</u>
Total net assets	<u>5,040,527</u>	<u>4,884,111</u>
Total liabilities and net assets	<u>\$ 15,125,574</u>	<u>\$ 6,796,873</u>

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

**ASPIRA OF FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008</u>	<u>2007</u>
<b>CHANGES IN NET ASSETS</b>				
Public Support, Revenues, and Reclassifications:				
Charter Schools (Local-FTE)	\$ 5,704,305	\$ -	\$ 5,704,305	\$ 5,091,607
Private contributions	368,884	-	368,884	185,316
Public grants and awards	3,705,284	653,242	4,358,526	4,223,246
United Way of Miami-Dade	151,488	-	151,488	82,226
Broward County Children's Services Administration	66,693	-	66,693	52,217
Investment and other income	210,508	-	210,508	140,207
Rental income	248,100	-	248,100	284,105
In-kind contributions	212,205	-	212,205	66,957
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>610,307</u>	<u>(610,307)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and reclassifications	<u>11,277,774</u>	<u>42,935</u>	<u>11,320,709</u>	<u>10,125,881</u>
Expenses:				
Program services:				
Dropout Prevention, Counseling, College Readiness and Youth Leadership-Development Outreach Services:				
Miami-Dade County	862,805	-	862,805	1,054,470
Broward County	349,798	-	349,798	260,870
Palm Beach County	660,830	-	660,830	548,132
The Children's Trust	786,757	-	786,757	-
Charter Schools	<u>7,879,415</u>	<u>-</u>	<u>7,879,415</u>	<u>7,572,033</u>
Total program services	<u>10,539,605</u>	<u>-</u>	<u>10,539,605</u>	<u>9,435,505</u>
General and administration	<u>586,589</u>	<u>-</u>	<u>586,589</u>	<u>654,643</u>
Fundraising	<u>38,099</u>	<u>-</u>	<u>38,099</u>	<u>81,150</u>
Total expenses	<u>11,164,293</u>	<u>-</u>	<u>11,164,293</u>	<u>10,171,298</u>
Change in net assets	<u>113,481</u>	<u>42,935</u>	<u>156,416</u>	<u>(45,417)</u>
Net assets, beginning	<u>4,421,733</u>	<u>462,378</u>	<u>4,884,111</u>	<u>4,929,528</u>
Net assets, ending	<u>\$ 4,535,214</u>	<u>\$ 505,313</u>	<u>\$ 5,040,527</u>	<u>\$ 4,884,111</u>

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

**ASPIRA OF FLORIDA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 156,416	\$ (45,417)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	271,220	213,993
Allowance for doubtful accounts	96,519	197,337
Non-cash in-kind contribution of capital assets	(173,889)	-
Write off of accounts payable	(136,140)	-
(Increase) decrease in:		
Due from Miami-Dade County Public Schools-Capital Outlay	(313)	(95,475)
Grants receivable	(442,258)	125,046
Receivables	-	(31,005)
Prepays	17,266	(28,846)
Other assets	(9,216)	(8,736)
Increase (decrease) in:		
Accounts payable and accrued expenses	788,633	138,391
Deferred revenues	136,996	-
Compensated absences	7,639	(18,340)
Net cash provided by operating activities:	<u>712,873</u>	<u>446,948</u>
Cash Flows from Investing Activities		
Acquisition and construction of fixed assets	<u>(6,462,728)</u>	<u>(697,412)</u>
Net cash (used in) investing activities:	<u>(6,462,728)</u>	<u>(697,412)</u>
Cash Flows from Financing Activities		
Proceeds from long term debt	7,413,793	-
Principal payments on long term debt	<u>(38,636)</u>	<u>(2,844)</u>
Net cash provided by (used in) financing activities:	<u>7,375,157</u>	<u>(2,844)</u>
Net (Decrease) in Cash and Cash Equivalents	1,625,302	(253,308)
Cash and Cash Equivalents at July 1,	<u>1,128,939</u>	<u>1,382,247</u>
Cash and Cash Equivalents at June 30,	<u>\$ 2,754,241</u>	<u>\$ 1,128,939</u>
Reconciliation to statement of net assets:		
Cash and cash equivalents	\$ 130,858	\$ 1,128,939
Cash and cash equivalents held by trustee	<u>2,623,383</u>	<u>-</u>
	<u>\$ 2,754,241</u>	<u>\$ 1,128,939</u>
Interest Paid	<u>\$ 276,137</u>	<u>\$ 108,388</u>

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

# ASPIRA OF FLORIDA, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

### A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Nature of Activities

ASPIRA of Florida, Inc. (the "Organization") was incorporated on March 2, 1981 in the State of Florida, and is a non-profit organization operating in Miami-Dade, Broward and Palm Beach counties.

The overall purpose of the Organization is to foster the social advancement of the Puerto Rican/Latino community by empowering its youth in the pursuit of educational excellence through leadership development programs that emphasize commitment to the community. ASPIRA's programs are grouped into two major categories: a) Youth Leadership Development/Outreach (YLD) and b) Youth Leadership Charter Schools.

#### Charter Schools

On April 14, 1999, February 9, 2000 and April 14, 2001, the Miami-Dade County School Board approved the applications submitted by the Board of Directors of ASPIRA of Florida, Inc. for the creation of the ASPIRA North Youth Leadership Charter School (ASPIRA North), the ASPIRA South Youth Leadership Charter School (ASPIRA South), and the Eugenio Maria De Hostos Youth Leadership Charter School (ASPIRA Wynwood); respectively. The three schools will be referred to collectively as the Schools in these financial statements. ASPIRA of Florida, Inc. is a non-profit organization incorporated under the laws of Florida to provide community development, and promote special programs and events including operating charter schools organized pursuant to Section 228.056 of the Florida Statutes (2001). The Schools are accounted for as programs of the Organization. The governing body of the Schools is the Organization's Board of Directors.

The Schools operate under a charter of the sponsoring school district, the Miami-Dade County School Board (the School Board). The ASPIRA North Youth Leadership Charter School's charter was approved by the Board of Directors on June 24, 1999 and is effective until June 30, 2017. The ASPIRA South Youth Leadership Charter School's charter was approved by the Board of Directors on May 18, 2000 and is effective until June 30, 2010. The Eugenio Maria De Hostos Youth Leadership Charter School's charter was approved by the Board of Directors on April 14, 2001 and is effective until June 30, 2011. All three charters may be renewed for up to an additional five (5) years by mutual written agreement between the Schools and the School Board. At the end of the term of the charters, the School Board may choose not to renew the charters under grounds specified in the charter in which case the School Board is required to notify the Schools in writing at least 90 days prior to the charter's termination. Pursuant to Section 228.056(11)(e), Florida Statutes (2001), the charter school contract provides that in the event the Schools are 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.

#### 2. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if no donor restrictions exist. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that will not be met by either the actions of the Organization or the passage of time. The Organization had not permanently restricted net assets as of June 30, 2008.

### 3. Promises to Give

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

### 4. Contributions and Revenue Recognition

Contributions including unconditional promises are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made and collected in the same accounting period are recorded when received in the appropriate net asset category. Promises on non-cash assets are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

Funds received from the Miami-Dade County Public School Board (the "School Board") and the State of Florida for the operation of the Schools are recorded as exchange transactions.

### 5. Cash and Cash Equivalents

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

### 6. Allowance for Doubtful Accounts

Management believes that all receivables are collectible within one year; therefore, the Organization has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made.

As of June 30, 2008, the Wynwood School had approximately \$247,000 of approved Capital Outlay expenses, which have not been reimbursed due to a lack of available Capital Outlay Funds allocated to the Wynwood School by the State of Florida. Management has recorded a receivable for the \$247,000 with an allowance for doubtful accounts of approximately \$197,000, as it plans to collect approximately \$50,000 of the \$247,000 approved capital outlay expenses during the 2008-09 fiscal year.

### 7. Property Plant & Equipment

Property plant & equipment, consist of buildings, leasehold improvements, automobiles and furniture and equipment, are recorded at cost and depreciated using the straight-line method over a three to forty year estimated useful lives. The Organization capitalizes assets with cost greater than \$500 and a useful life greater than one year. Repairs and maintenance are expensed as incurred. Improvements which increase the life of the assets are capitalized. The carrying amount of assets sold are retired and the related accumulated depreciation is eliminated in the year of disposal and the resulting gain or loss is credited or charged to operations.

## 8. Impairment of Long-Lived Assets to be Deposed Of

The Organization reviews the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. The Organization believes no impairment of its long-lived assets existed at June 30, 2008.

## 9. Statement of Functional Expenses

The cost of providing services has been allocated on a functional basis among personnel compensation, travel, educational and program materials, professional fees, depreciation, equipment leasing, insurance, rent, repairs and maintenance, supplies and postage and telephone. Allocations are generally made based on actual use, number of participants, geographic location or square footage.

## 10. Compensated Absences

Employees of the Organization earn a vested right to compensation for unused vacation and sick time up to a maximum of 240 hours for vacation and 160 hours for sick time based on their years of service. Upon separation from employment, only unused vacation time is paid to the employee. Accordingly, the Organization has made an accrual for vacation time compensation that employees have earned but not taken.

## 11. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public supported organization.

## 12. Use of Estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of receivables, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

## 13. Fair Value of Financial Instruments

The estimated fair values for financial instruments under SFAS No. 107, "*Disclosures about Fair Market Value of Financial Instruments*", are determined at discreet points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair values of the Organization's financial instruments, which include all cash, receivables, investments and accounts payable, approximates the carrying value in the financial statements at June 30, 2008.

## 14. Comparative Financial Information and Reclassifications

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Certain amounts in the 2007 financial statement presentation have been reclassified to conform to the 2008 presentation.

## B. TEMPORARILY RESTRICTED NET ASSETS

### Capital Outlay Funds

During 2008 and 2007, the School Board received an additional \$653,242 and \$661,790; respectively, of Section 228.0561, F.S. (2001), Charter Schools Capital Outlay Funding from the State on behalf of the Organization. The funds have been deposited with the School Board and will be distributed once the Organization 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, 2008 and 2007, the Organization have recorded a receivable from the School Board of \$505,313 and \$513,018 (net of allowance for doubtful accounts of \$197,337); respectively, and recorded the amount as temporarily restricted support. In 2008 and 2007, the Organization released 610,307 and \$856,913; respectively, from restrictions by incurring expenses in accordance with approved Capital Outlay Plans.

## C. RECEIVABLES

As of June 30, 2008 and 2007 the Organization had receivables from Federal, State, Local Governments and Private Foundations totaling \$1,100,888 and \$721,801; respectively.

## D. PROPERTY PLANT & EQUIPMENT

Property Plant & Equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,442,108	\$ 565,670
Construction in progress	6,944,473	695,032
Buildings and leasehold improvements	3,280,425	4,084,383
Furniture and equipment	352,019	311,366
Computer equipment	609,610	423,997
Student textbooks	88,429	-
Automobiles	78,488	78,488
	12,795,552	6,158,936
Less: Accumulated depreciation	<u>(2,173,567)</u>	<u>(1,902,348)</u>
	<u>\$10,621,985</u>	<u>\$ 4,256,588</u>

During 2008, the Organization corrected a missposting and transferred \$876,438 of construction in progress to land. The transfer had no effect on the Organization's net assets.

During 2008 and 2007, the Organization capitalized \$276,137 and \$99,485 of interest for the construction of the new facilities for the North and South Schools.

The Schools' fixed assets which totaled \$966,236 and \$758,564, net of accumulated depreciation as of June 30, 2008 and 2007; respectively, have been purchased with public funds and are subject to reversion to the School Board upon termination of the Schools' Charter Agreements or material breach of the SIT Fund agreements.

Leasehold improvements to the Schools during 2007 of approximately \$516,283 were funded with Capital Outlay Funds. Approximately, \$247,000 of the Wynwood School's approved capital outlay plan has not been reimbursed as of June 30, 2008 due to a lack of available Capital Outlay Funds allocated to the Wynwood School.



**E. LONG TERM DEBT**

June 30,  
2008                      2007

The original loan dated October 14, 2005 was extended to March 26, 2007. The original loan was amended and restated on March 26, 2007 with the following terms:

Mortgage payable to a bank, secured by land with interest at a variable rate equal to the 1 month LIBOR Rate plus 220 basis points, maturing April 2, 2012, with monthly payments of interest of approximately \$9,200 and a lump-sum principal payment due at maturity.

\$ 1,533,520      \$ 1,572,156

On September 13, 2007, the Organization executed two loan agreements totaling \$7,413,793, the proceeds of which were utilized to expand its North School facilities. The loans call for quarterly interest only payments at 6.671% and mature on August 22, 2014 (Note A \$5,797,925) and August 22, 2037 (Note B \$1,615,868). The Organization pledged rents collected on the North School facilities and the property to secure the loans.

The loans were obtained under the QLICI "Qualified Low-Income Community Investment" program, as defined in Section 45D of the Code and the Treasury Regulations. Under such program, the Project Business (operation of a charter school) must be and remain a QALICB "Qualified Active Low-Income Community Business." In combination with the two loan agreements mentioned above, the Organization also executed an "Unconditional Guaranty of New Market Tax Credits" agreement in favor of the lender, which states that the Organization will pay the amounts of any "Recaptured New Market Tax Credits" and "Disallowed New Market Tax Credits" (collectively the NMTC Recapture Amount) within a specified time period. Per the "Unconditional Guaranty of New Market Tax Credits" agreement, such payment may occur as a direct or indirect result of a "Recapture Event" as defined in Section 45D(g) of the Code. Specifically, the "Recapture Event" may be caused by any of the following: (1) the Organization not being a QALICB, (2) any subtenants of the property not constituting a Qualified Business, or (3) any prepayment of the loans are in violation of loan documents.

The Organization also executed an "Investment Fund Put and Call Agreement" with the lender, which may allow the lender, at its' sole discretion, to make an election which will require the Organization to purchase all of its' interest in Note B for \$1,000 and any amounts in the operating expense reserves or any other reserves. Such election may be made at any time following the seventh (7) anniversary date of the executed loan documents without regard to the status of payments due under the Note B loan agreement and Note A has been liquidated.

\$ 7,413,793      \$ -

**Total**    \$ 8,947,313      \$ 1,572,156

Principal payments to maturity as of June 30, 2008 are as follows:

<u>June 30,</u>	
2009	\$38,550
2010	41,542
2011	44,968
2012	1,408,460
2013	-
2014-2018	5,797,925
2019-2023	-
2024-2028	-
2029-2033	-
2034-2038	<u>1,615,868</u>
	<u>\$8,947,313</u>

## F. DERIVATIVE DISCLOSURE- INTEREST RATE SWAP

*Objective of interest rate swap* - The Organization entered into an interest rate swap agreement for the \$1,575,000 mortgage payable for the outstanding period of the debt as a means to lower its true borrowing costs when compared against fixed-rate debt at the time of borrowing. The intention of the swap was to effectively change the Organization's variable interest rate. Based on the swap agreement, the Organization pays a synthetic fixed rate of 5.30% to the counterparty to the swap. In return, the counterparty owes the Organization interest based on a variable rate that matches the rate required by the loan. Only the net difference in interest rate payments is actually exchanged with the counterparty. The loan principal is not exchanged; it is the initial notional amount upon which the interest payments are calculated.

*Terms*- The loan and the related swap agreement mature on April 2, 2012, and the swap's notional amount of \$1,575,000 matches the principal amount of the loan. The swap was entered into at the same time that the loan was executed (March 2007). Under the swap, the Organization pays the counterparty a fixed payment of 5.30% and receives a variable payment computed by the remarketing agent that would cause the loan to have a market value equal to the principal thereof, plus accrued interest, under prevailing market conditions as of the date of the determination.

*Termination Risk*- If the parties agree to terminate the swap prior to its scheduled maturity, the termination value of the contract will be based on the economics of a replacement swap transaction. At the time of early termination, the counterparty will: 1) determine an interest rate for a replacement transaction in the then-current market; 2) value the swap contract based on the replacement rate; and 3) unwind the transaction.

Unwind in a higher rate environment- If the replacement rate is higher than the original swap rate, the counterparty will pay the net present value of the remaining payment stream based on the notional schedule and the rate differential (replacement rate minus original rate).

Unwind in a lower rate environment- If the replacement rate is lower than the original swap rate, the counterparty will receive the net present value of the remaining payment stream based on the notional schedule and the rate differential (replacement rate minus original rate).

## G. EMPLOYEE BENEFITS

### 1. IRC Section 125 Cafeteria Plan

The Organization maintains a cafeteria plan under Section 125 of the Internal Revenue Code. The Plan allows employees to pay for family health and dental coverage through pre-tax earnings. Employees are eligible to participate after 90 days of continuous employment.

### 2. IRC Section 403 (b) (7) Annuity Plan

Effective July 1, 1997, the Organization established a 403 (b) Thrift Retirement Plan (the Plan) created in accordance with Internal Revenue Service Code Section 403(b) for all full-time employees of the Organization. There is no minimum age or service requirement to contribute to the Plan and employees may contribute up to the maximum permitted by law. Employer contributions equal the lesser of 100% of employee's contribution or 2% of the participants' gross salary. To be eligible for employer contributions, the participant must be at least 21 years of age and have provided one year of service. Employer contributions are 100% vested upon the participants 65th birthday, or if earlier, upon completion of a three year vesting period. As of June 30, 2008 and 2007, there were forty-five (45) and sixty-two (62) employees participating in the Plan; respectively. The Organization contributed approximately \$36,000 and \$46,000 to the Plan during the year ended June 30, 2008 and 2006, respectively.

## H. RELATED PARTY TRANSACTIONS

### School Facilities Lease - ASPIRA North School

In 2007, the ASPIRA North School entered into a long-term operating lease for its facilities, with ASPIRA of Florida, Inc. The lease calls for monthly rental payments of \$20,000 per month starting on July 1, 2006 through June 30, 2017.

Rent expense paid to ASPIRA of Florida, Inc. totaled approximately \$240,000 for 2008 and 2007. The Organization has reported rent expense for the ASPIRA North School in the Schedule of Functional Expenses totaling \$240,000 and rental income of the same amount in the Statement of Activities.

The minimum future rentals to be paid by ASPIRA North School are as follows:

<u>June 30,</u>	
2009	\$240,000
2010	240,000
2011	240,000
2012	240,000
2013	240,000
2014-2017	960,000
	<u>\$2,160,000</u>

## I. COMMITMENTS AND CONTINGENCIES

### 1. School Facilities Lease - ASPIRA South and Wynwood Schools

The ASPIRA South and Wynwood Schools lease school facilities under the terms of two operating leases with monthly payments totaling approximately \$10,241 and \$35,954; respectively. The ASPIRA South lease expires on August 31, 2009. The ASPIRA Wynwood School's lease expires on August 31, 2008 and then its renewal on a month to month basis.

During 2006-07, fiscal year the Wynwood School increased its facilities and rent increased by approximately \$10,000 per month.

The minimum future rentals to be paid by ASPIRA South and Wynwood Schools are as follows:

<u>June 30,</u>	<u>ASPIRA South</u>	<u>Wynwood School</u>
2009	\$219,000	\$72,000
2010	21,000	-
	<u>\$240,000</u>	<u>\$72,000</u>

Rent expense totaled approximately \$117,000 and \$112,000 for the ASPIRA South School and \$424,000 and \$417,000 for the ASPIRA Wynwood School during 2008 and 2007, respectively.

During 2007, ASPIRA of Florida, Inc. entered into a commitment to purchase the building in which the Wynwood School operates. The purchase of the building has not been finalized as of the date of this report.

## 2. Operating Leases - Office Space

The Organization leases three offices under various operating leases. The Wynwood office lease expires on July 31, 2009 and calls for monthly payments of \$3,998. The North Miami office for the Organization's Youth Outreach Program is leased under an operating lease expiring on October 1, 2008 and calls for monthly payments of \$5,833. The West Palm Beach office is leased under a five-year lease, which requires monthly payments of \$3,594 with yearly incremental increases through December 31, 2011.

The minimum future lease payments required under these operating leases are as follows:

### Fiscal year ending June 30:

2009	\$146,622
2010	49,916
2011	47,984
2012	28,712
	<u>\$273,233</u>

Rent expense for the year ended June 30, 2007 totaled approximately \$112,973 for the three offices.

## 3. Operating Leases – Office Equipment

On February 22, 2005, the Organization leased office equipment under the terms of an operating lease. The lease requires monthly payments of approximately \$4,700 expiring on February 2010.

The minimum future lease payments required under the operating leases are as follows:

### Fiscal year ending June 30,

2009	\$56,000
2010	37,000
	<u>\$93,000</u>

Lease payments under equipment operating leases totaled approximately \$56,000 for the fiscal year ended June 30, 2008.

## 4. Grants

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 Organization. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

5. Payables

As of June 30, 2007, the Organization recorded accounts payable due to its former bus transportation vendor totaling \$136,140. The vendor has closed its South Florida office and the Organization have not been able to contact the regional office to settle the outstanding invoices. The Wynwood School did not accrue approximately \$49,000 of additional invoices owed to the bus company as these invoices are in dispute and it is management's position that the amounts are not owed to the former vendor.

During 2008, after numerous unsuccessful attempts by the Organization' management to contact the former bus transportation vendor and settle the accounts payable the balance of \$136,140 was written off.

6. Concentration of Credit Risk

As of June 30, 2008, there was \$2,912,372 of deposits in excess of the \$100,000 amount insured by the Federal Deposit Insurance Corporation. The Organization maintains its cash with high quality financial institutions, which the Organization believes limits these risks.

**J. CURRENT VULNERABILITY DUE TO CONCENTRATION**

The Organization has adopted SOP 94-6 which requires disclosure of vulnerable concentration of exposed risk. For the fiscal year ended June 30, 2008, the Organization received approximately 56% of its support from the Miami-Dade County Public School Board for the operation of the Organization's three charter schools. It is reasonably possible that in the near term these programs could cease, which could cause a severe impact on the Organization and its ability to continue operations. The Organization does not expect in any way that the support from this agency will be lost in the near term. In addition, approximately 34% or \$555,953, of receivables relate to contracts with the Miami-Dade County Public School Board.

**K. MANAGEMENT PLANS**

ASPIRA of Florida, Inc., is currently seeking financing for the expansion of its three charter school facilities in Miami-Dade County, Florida. This capital expansion plan will increase the Organization's capacity to serve an additional 900 middle school students yearly, raising enrollment from approximately 900 to 1,800 students. Upon completing all construction phases, the three community education campuses will triple the Organization's square footage to over 155,000 SF with nearly 6 acres of prime South Florida Miami-Dade County real estate.

Estimated increased enrollment and added square footage by school is as follows:

<u>School</u>	<u>Square Footage</u>	<u>Additional Enrollment</u>
ASPIRA North School	27,500	300
ASPIRA South School	40,000	400
Wynwood School	10,000	225

As of the date of the audit report, the Organization has completed 90% of the North School facility. The South and Wynwood School facilities are scheduled to be completed by June 30, 2009.

## SUPPLEMENTARY SCHEDULE

ASPIRA OF FLORIDA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2008  
(with comparative totals for 2007)

PROGRAM SERVICES  
ASPIRA Youth Leadership Development, Educational Outreach and School Initiatives

	After School Programs & Services- YLD Outreach		Charter Schools	Total Program	General and Administration	Fundraising	Total Expenses	
	Broward	Palm Beach					2008	2007
Salaries and wages	\$ 631,807	\$ 206,883	\$ 450,245	\$ 6,045,992	\$ 145,157	\$ -	\$ 6,191,149	\$ 5,613,008
Fringe benefits and payroll taxes	114,007	40,593	80,308	1,109,174	36,056	-	1,145,230	958,292
<b>Total Personnel</b>	<b>745,814</b>	<b>247,476</b>	<b>530,553</b>	<b>7,155,166</b>	<b>181,213</b>	<b>-</b>	<b>7,336,379</b>	<b>6,571,300</b>
Occupancy and utilities	20,640	6,767	76,689	1,010,068	62,269	-	1,072,337	1,174,599
Equipment rental & maintenance	13,306	7,987	2,745	117,739	32,602	-	150,341	112,408
Communications	6,714	6,071	2,710	53,291	11,082	-	64,373	60,531
Supplies	10,132	3,740	2,703	95,587	12,384	300	108,271	95,926
Postage, printing and publications	1,208	262	500	18,160	2,240	385	20,785	15,805
Subscriptions and advertising	45	-	-	3,777	1,496	-	5,273	5,483
Travel and lodging/per diem	4,483	122	1,375	9,079	1,051	-	10,130	17,670
Youth	8,030	3,825	6,025	588,825	-	-	588,825	575,387
Staff	11,234	8,822	5,697	46,502	7,531	-	54,033	47,959
Building maintenance and supplies	2,020	1,824	216	96,353	578	-	96,931	103,508
Professional fees	1,250	-	1,250	23,703	-	-	23,703	149,889
Consultant and contract services	269	31,330	7,010	175,336	6,623	34,371	216,330	32,515
Insurance and bonding	3,315	-	2,250	12,729	53,450	421	66,600	63,885
Staff/board development	6,471	750	703	17,796	4,319	-	22,115	59,862
Youth activities/conferences and grad	22,230	21,440	7,196	170,008	1,530	-	171,538	127,022
Educational and program materials	3,719	1,273	9,889	61,592	1,151	-	62,743	86,706
Youth scholarships awards	1,500	6,550	-	23,380	-	-	23,380	10,157
Technology infrastructure	-	-	-	-	-	-	-	1,935
Food services	-	60	12,669	595,450	-	-	595,450	569,659
Miscellaneous equipment purchases	-	-	230	1,852	-	-	1,852	4,575
Taxes and licenses	225	480	-	48,576	1,852	-	50,428	49,872
Miscellaneous	80	-	-	6,708	2,657	2,622	11,987	11,947
In Kind Expenses	-	-	-	42,950	-	-	42,950	-
Depreciation	-	-	-	165,178	106,042	-	271,220	213,983
Bad Debt Expense	-	-	-	-	96,519	-	96,519	8,803
Total Operational	116,991	102,322	256,204	3,384,439	405,376	38,099	3,827,914	3,599,988
Total Expenses	\$ 862,805	\$ 349,796	\$ 680,830	\$ 7,879,415	\$ 586,589	\$ 38,099	\$ 11,164,293	\$ 10,171,288