

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)

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

FISCAL YEAR ENDED JUNE 30, 2011

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

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INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.


As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the School referred to above, which is a Charter School of Lincoln-Martí Charter Schools, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Lincoln-Martí Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Lincoln-Martí Charter Schools, Inc. as of June 30, 2011 and its changes in net assets and cash flows for the period from July 15th 2010 (Inception) through June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and the changes in its financial position thereof for the period from July 15th 2010 (Inception) through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 21 through 22 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "G. S. Q. and Company PLLC". The signature is written in black ink and is positioned above the date.

August 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lincoln-Marti Charter Schools, Inc. (International Campus) (the "School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School for the period ended June 30, 2011.

Management's discussion and analysis is included at the beginning of the audited financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the financial statements and other supplementary information that presents all of the School's revenue and expenditures by program for the General Fund, which is the School's only fund.

FINANCIAL HIGHLIGHTS

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

The School's current year of operations generated net assets of \$171,598 in the inaugural year of operations. The overall condition of the funds and governmental activities remains stable for the School.

The assets of the School exceeded its liabilities at June 30, 2011 by approximately \$171,598. Of this amount, approximately \$73,073 was unrestricted.

USING THIS ANNUAL REPORT.

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the School's assets and liabilities, with the difference between the two reported as *net assets*). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all *governmental activities* that are principally supported by grants and entitlements from the State for full-time equivalent funding. The School does not have any *business-type activities*. The governmental activities of the School primarily include instructional and support services.

The government-wide financial statements can be found on pages 8 and 9 of the report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (CONTINUED)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's only fund is the General Fund, a governmental fund type.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflow and outflow of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

The special purpose governmental fund financial statements can be found on pages 10 through 12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 20 of this report.

Other Information

In addition to the special purpose financial statements and accompanying notes, this report also presents certain required *supplementary information* concerning budgetary information for the School's general fund. Required supplementary information can be found on pages 21 and 22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year of operation and as such, a comparative of government-wide data will not be presented. The School's net assets were \$171,598 at June 30, 2011. Of this amount, \$73,073 is unrestricted and \$98,525 is invested in capital assets.

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

Net Assets

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

Table A-1
Summary of net assets

	Fiscal Year <u>2011</u>
Current assets	\$ 153,819
Capital assets, net	<u>98,525</u>
Total assets	<u>\$ 252,344</u>
Current liabilities	<u>80,746</u>
Total liabilities	<u>\$ 80,746</u>
Invested in capital assets, net of related debt	98,525
Unrestricted net assets	<u>73,073</u>
Total net assets	<u>\$ 171,598</u>

Table A-2
Summary of changes in net assets

	Fiscal Year <u>2011</u>
Revenues:	
State FTE Revenues	\$ 983,203
Local Grants and other	<u>60,000</u>
Total revenues	<u>\$ 1,043,203</u>
Expenses:	
Instructional services	309,025
Instructional Materials	2,516
School administration	191,927
Central services	44,085
Operation of non-instructional services	170,848
Operation and maintenance of plant	<u>153,204</u>
Total expenses	<u>871,605</u>
Increase in net assets	<u>\$ 171,598</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted above and in the statement of activities on page 9, the cost of all governmental activities during the period from July 15th 2010 (Inception) through June 30, 2011 was \$871,605. The majority of these activities were financed through general revenues of \$1,043,203 which consist primarily of FTE funding from the State.

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

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

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

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

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 as of June 30, 2011 and for the period from July 15th 2010 (Inception) through June 30, 2011:

Table B-1

Summary of condensed Balance Sheet

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

Table B-2

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

	Fiscal Year <u>2011</u>
Total Revenues	\$1,043,203
Total Expenditures	<u>970,130</u>
Excess of revenues over expenditures	\$ <u>73,073</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the budget during the period ended June 30, 2011.

The general fund actual revenues were \$1,043,203 for the period from July 15th 2010 (Inception) through June 30, 2011. That amount is below the budget estimates due lower FTE students than expected.

The actual expenditures of the general fund were \$970,130 for the period from July 15th 2010 (Inception) through June 30, 2011. This is below the budget estimates primarily due to the lower facilities operation costs.

CAPITAL ASSETS

At June 30, 2011, the School had \$109,770 invested in furniture, fixtures, computer equipment, textbooks and leasehold improvements of which approximately \$11,245 has been depreciated, which resulted in a net book value of \$98,525. Total additions for the year were \$109,770.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida has reduced education funding for the FEFP program for the fiscal year 2011-2012, by approximately eight percent. Capital outlay revenue is expected to remain roughly the same as the prior year. Student enrollment is expected to increase due to the success of the Lincoln-Marti Charter Schools on the 2011 FCAT. These factors were considered in preparing the School's budget for fiscal year 2011-2012.

REQUESTS FOR INFORMATION

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

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

June 30, 2011

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 143,819
Receivables	10,000
Capital assets:	
Improvements other than buildings	49,969
Classroom furniture, fixture, equipment and others	59,801
Less accumulated depreciation	<u>(11,245)</u>
Total assets	<u>252,344</u>
<u>LIABILITIES</u>	
Accounts payable	18,596
Wages payable	12,400
Accrued and Other Liabilities	<u>49,750</u>
Total liabilities	<u>80,746</u>
<u>NET ASSETS</u>	
Invested in capital assets	98,525
Unrestricted net assets (deficit)	<u>73,073</u>
Total net assets	<u>\$ 171,598</u>

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

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities Total</u>
Governmental activities:					
Instructional services	\$ (309,025)	\$ -	\$ -	\$ -	\$ (309,025)
Instructional materials	(2,516)	-	-	-	(2,516)
School administration	(191,927)	-	-	-	(191,927)
Central services	(44,085)	-	-	-	(44,085)
Operation of plant	(170,848)	-	-	-	(170,848)
Maintenance of plant	(153,204)	-	-	-	(153,204)
Total activities	<u>\$ (871,605)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (871,605)</u>
General revenues:					
FTE non-specific revenues					983,203
Unrestricted investment income and miscellaneous					<u>60,000</u>
Total general revenues					<u>1,043,203</u>
Change in net assets					171,598
Net assets, beginning					<u>-</u>
Net assets, ending					<u>\$ 171,598</u>

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

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

June 30, 2011

ASSETS

Cash	\$ 143,819
Receivables	<u>10,000</u>
Total assets	<u>\$ 153,819</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 18,596
Wages payable	12,400
Accrued and Other Liabilities	<u>49,750</u>
Total liabilities	<u>80,746</u>
Fund Balance:	
Unreserved and undesignated	<u>73,073</u>
Total fund balance	73,073

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

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

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

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

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

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

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

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

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

Net change in fund balances- total governmental fund	\$ 73,073
Expenditures for capital assets	109,770
Less current year depreciation	<u>(11,245)</u>
Change in net assets of governmental activities	<u>\$ 171,598</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

The School operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the "School Board"). The School's charter was approved by the Board of Directors on January 14, 2009 and is effective as of July 15, 2010 (Inception) until June 30, 2015. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the School is considered a component unit of the School Board of Miami-Dade County and is included in the School Board's comprehensive annual financial report.

Enrollment and Grade Configuration

<u>School Name and Addresses</u>	<u>Grades</u>	<u>Enrollment</u>
Lincoln-Marti Charter Schools (International Campus Charter School) 157-151 East Lucy Street Florida City, FL 33034	K- 8	107

Board of Directors

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

Martin Añorga	Chairperson
Cruz Rodriguez	Board Member
Gil Beltran	Board Member

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Reporting Entity (Continued)

Financial Statements Presentation

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

The special purpose financial statements present the government-wide statements, balance sheet and statement of revenues, expenditures and changes in fund balance for Lincoln-Marti Charter Schools, Inc. (International Campus Charter Schools) only and do not include the assets, liabilities, net assets, statement of activities and cash flows of Lincoln-Marti Charter Schools, Inc (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position, changes in net assets and cash flows of Lincoln-Marti Charter Schools, Inc. as of June 30, 2011 and for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The School's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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

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

d. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School has no cash equivalents at June 30, 2011.

2. Receivables

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

3. Capital Assets

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

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

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 NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

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

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

4. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

Unrestricted Net Assets - represent unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

e. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Revenue Sources

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

g. Date of Management Review

The Organization has evaluated subsequent events through August 31, 2011.

2. DEPOSITS

The School's cash includes cash on hand and demand deposits. At June 30, 2011, the carrying amount of the School's deposits was 143,819 while the bank balances of such deposits were \$183,271. The School's deposit are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer, to hold public funds.

3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ -	\$ 49,969	\$ -	\$ 49,969
Classroom furniture, fixtures, equipment and others	-	<u>59,801</u>	-	<u>59,801</u>
Total capital assets being depreciated	-	109,770	-	109,770
Less accumulated depreciation for:				
Improvements other than buildings	-	(4,209)	-	(4,209)
School furniture, fixtures, equipment and others	-	<u>(7,036)</u>	-	<u>(7,036)</u>
Total accumulated depreciation	-	<u>(11,245)</u>	-	<u>(11,245)</u>
 Total capital assets being depreciated, net	 <u>\$ -</u>	 <u>\$ (98,525)</u>	 <u>\$ -</u>	 <u>\$ (98,525)</u>

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

3. CAPITAL ASSETS (CONTINUED)

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

	<u>2011</u>
Governmental activities:	
Operation of plant	<u>\$ 11,245</u>

4. COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Organization entered into an Operating lease agreement for the School premises. The School is responsible for the leasehold improvements, repairs and maintenance, and the insurance of the properties. The lease term is for a period of five years, expiring in 2015, and includes a provision for escalating annual rentals equal to the positive or negative variation of the CPI from the Base Year. The School's rent expense for the period from July 15, 2010 (Inception) through June 30, 2011 was approximately \$85,996.

Minimum required future rental payments under this operating lease as of June 30, 2011 are as follows:

2012	\$	87,269
2013		87,269
2014		87,269
2015		87,269

Credit Agreement

The School together with other companies, which are affiliated directly or indirectly (collectively referred to as "affiliated companies"), entered in a Corporate Guarantee Agreement where the affiliated companies irrevocably and unconditionally guarantee the full payment and performance of all the guarantees and obligations as a primary obligor in case of nonperformance by the Borrowers (DP Real Estate Holdings, LLC and other limited liability companies) under the term of the Credit Agreement with the bank.

The Credit Agreement is for a total of approximately \$24 million and contains restrictive covenants including maintaining certain financial ratios as well as other quarterly and yearly reporting requirements. As of December 31, 2010, the balance owed by the Borrowers was approximately \$23,316,000.

Management Services Agreement

The School entered into a five year management agreement with a charter management company (Lincoln-Marti Management Services, LLC.) to provide management and administrative services to the School. The agreement expires on July 31, 2012. As defined under term of the agreement under section 25, Base Compensation, the School will pay, as compensation to Lincoln-Marti Management Services, LLC, a management fee of \$450 per Full Time Equivalent (FTE) per annum during the term of the agreement.

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

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Management Services Agreement (Continued)

Management Company Information:

Name and Address:

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

List of Principal Officers:

Maria Denia Vasallo, Manager

Risk Management

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

5. RELATED PARTY TRANSACTIONS

Related party transactions occurred during the year with various related entities, with the exception of the School Board.

School Board

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of five percent (5%) of the qualifying revenues of the School. Administrative expenses during the period from July 15, 2010 (Inception) through June 30, 2011 were approximately \$49,160. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 107 full time students enrolled during the period from July 15, 2010 (Inception) through June 30, 2011. The School also receives other allowances based upon students enrolled.

Lincoln-Marti Community Agency, Inc.

During period ended June 30, 2011, Lincoln-Marti Community Agency, Inc. made contributions of approximately \$60,000 to help with the cash flows of the School.

Lincoln-Marti Charter Schools, Inc (Little Havana Charter School)

During period ended June 30, 2011, Lincoln-Marti Charter Schools, Inc. (Little Havana Campus Charter Schools) advanced approximately \$52,780 to provide cash flows for the School and the amount was repaid during the period ended June 30, 2011. These amounts were unsecured non-interest bearing and due on demand.

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

5. RELATED PARTY TRANSACTIONS (CONTINUED)

Lincoln-Marti Management Services

During the year ended June 30, 2011 the School incurred expenses under the term of the agreement for approximately \$49,750, all of which was owed at June 30, 2011.

6. CURRENT VULNERABILITY DUE TO CONCENTRATION

During fiscal year 2011, the School received most of its support from the Miami-Dade School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations. The School has considered this possibility and would seek other funding sources to continue its operations if such circumstances were to occur.

SUPPLEMENTARY SCHEDULE

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

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

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State FTE revenues	\$ 1,925,008	\$ 1,925,008	\$ 983,203	\$ (941,805)
Local grants and others	-	-	60,000	60,000
Total revenues	<u>1,925,008</u>	<u>1,925,008</u>	<u>1,043,203</u>	<u>(881,805)</u>
Expenditures:				
Current:				
Administrative Team	150,000	150,000	142,767	7,233
Instructional staff	680,000	680,000	309,025	370,975
Benefits	136,500	136,500	42,361	94,139
Contract services	141,750	141,750	128,486	13,264
Advertising and promotion	35,000	35,000	40,455	(5,455)
Financial Audit	15,000	15,000	0.00	15,000
Instructional materials	150,000	150,000	51,676	98,324
Telecommunications	25,000	25,000	2,902	22,098
Transportation	-	-	-	-
Facilities operations	525,050	525,050	251,729	273,321
Miscellaneous	70,000	70,000	729	69,271
Total expenditures	<u>1,928,300</u>	<u>1,928,300</u>	<u>970,130</u>	<u>958,170</u>
Excess (deficit) of revenues over expenditures	(3,292)	(3,292)	73,073	76,365
Fund balances at beginning of year	-	-	-	-
Fund balances (deficits) at end of year	<u>\$ (3,292)</u>	<u>\$ (3,292)</u>	<u>\$ 73,073</u>	<u>\$ 76,365</u>

See notes to budgetary comparison schedule

LINCOLN-MARTI CHARTER SCHOOLS, INC.
(INTERNATIONAL CAMPUS CHARTER SCHOOL)
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)
NOTE TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end. The original budget and any subsequent amendments are approved by the Board of Directors. For the period from July 15, 2010 (Inception) through June 30, 2011, there were no amendments to the original budget.

SUPPLEMENTARY AUDITORS' REPORTS

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

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

We have audited the special purpose financial statements of the governmental activities and major fund of Lincoln-Marti Charter Schools, Inc. (International Campus Charter School) (the "School") (a component unit of the School Board of Miami-Dade County), as of June 30, 2011 and for the period from July 15, 2010 (Inception) through June 30, 2011, and have issued our report dated August 31, 2011. 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 School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

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

GLS and Company PLLC

August 31, 2011

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

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

We have audited the special purpose financial statements of the governmental activities and major fund of The Lincoln-Marti Charter Schools, Inc. (International Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2011 and for the period from July 15, 2010 (Inception) through June 30, 2011, and have issued our report dated August 31, 2011, and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our report on compliance and on internal control over financial reporting; which is dated August 31, 2011, and should be considered in conjunction with this management letter.

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

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

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

6. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(10). There were no deteriorating financial or financial emergency conditions noted.

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

GSLC and Company PLLC

August 31, 2011