

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY THE
SCHOOL BOARD OF
MIAMI-DADE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16-28
Other Required Supplementary Information:	
Budgetary Comparison Schedule	29-30
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual School Instruction Program Providers:</i>	
Management Letter	33-36

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of
Latin Builders Association Construction
and Business Management Academy
Hialeah Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 3 through 9, and 30 and 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of Latin Builders Association Construction and Business Management Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Latin Builders Association Construction and Business Management Academy's internal control over financial reporting and compliance.

Sotolongo & Associates, P.A.

Miami, Florida
September 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Latin Builders Association Construction and Business Management Academy (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2018.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

FINANCIAL HIGHLIGHTS

The following are among the School's major financial highlights:

- At June 30, 2018, the School had a total net position of approximately \$147,000.
- At June 30, 2018, the School had current assets of approximately \$83,000.
- For the year ended June 30, 2018, the School's expenses exceeded revenues by approximately \$59,000.
- For the year ended June 30, 2018, revenues decreased by approximately \$170,000.
- For the year ended June 30, 2018, expenses decreased by approximately \$63,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual School Instruction Program Providers*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has the following types of funds:

- *General Fund* – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- *Special Revenue Fund* – accounts for specific revenue, such as federal grants that are legally restricted to expenditures for particular purposes.
- *Debt Service Fund* – accounts for accumulation of resources for, and the payment of, general long-term debt principal and interest.
- *Capital Projects Fund* – accounts for the financial resources accumulated that are restricted for capital outlays.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position for the fiscal years ended June 30, 2018 and 2017:

	Governmental Activities		Increase
	2018	2017	(Decrease)
Current and other assets	\$ 83,388	\$ 138,621	\$ (55,233)
Capital assets, net	772,562	815,099	(42,537)
Security deposit	9,408	9,408	-
Total assets	<u>865,358</u>	<u>963,128</u>	<u>(97,770)</u>
Salaries payable and other accrued expenses	30,122	66,312	(36,190)
Noncurrent liability - due within one year	46,301	47,811	(1,510)
Noncurrent liability - due in more than one year	642,018	643,301	(1,283)
Total liabilities	<u>718,441</u>	<u>757,424</u>	<u>(38,983)</u>
Net position:			
Net investment in capital assets	252,855	244,844	8,011
Restricted for student graduate scholarships	8,200	-	8,200
Unrestricted	(114,138)	(39,140)	(74,998)
Total net position	<u>\$ 146,917</u>	<u>\$ 205,704</u>	<u>\$ (58,787)</u>

Current and other assets of the School, which primarily consist of cash, decreased as a result of the decrease in net position. The decrease in capital assets was primarily due to depreciation expense. Salaries payable and other accrued expenses decreased primarily as a result of lower accrued expenses associated with payroll accruals and less overall expenses required to be accrued. The noncurrent liabilities decreased primarily as a result of payments on the bank loan. The change in total net position was due to the current fiscal year operating deficit.

Change in Net Position

The following table compares the changes in the School's net position from its activities for the fiscal years ended June 30, 2018 and 2017:

Governmental Activities			Amount Increase
	2018	2017	(Decrease)
Revenues:			
Federal sources	\$ 84,875	\$ 35,625	\$ 49,250
State sources	830,111	1,040,057	(209,946)
Local capital improvement revenue	37,205	-	37,205
Contributions and other revenue	117,910	164,348	(46,438)
Total revenues	1,070,101	1,240,030	(169,929)
Expenses:			
Instruction	478,309	592,568	(114,259)
Instructional support services	85,183	43,691	41,492
Instruction-related technology	35,733	78,247	(42,514)
General administration	39,567	46,252	(6,685)
Board and fiscal services	11,675	20,575	(8,900)
School administration	185,700	198,022	(12,322)
Pupil transportation	-	32,295	(32,295)
Operation and maintenance of plant	264,090	148,050	116,040
Interest - bank loan and capital leases	24,034	20,896	3,138
Interest on due to related party	4,597	3,149	1,448
Debt issuance costs	-	2,807	(2,807)
Fundraising and promotions	-	5,386	(5,386)
Total expenses	1,128,888	1,191,938	(63,050)
Change in net position	\$ (58,787)	\$ 48,092	\$ (106,879)

Federal source revenue increased as a result of a larger grant. State source revenue decreased primarily as a result of a decrease in student enrollment. Local capital improvement revenue was new for fiscal year 2018. Contributions and other revenue decreased as there were less grants and contributions obtained during the year.

Instructional functions decreased as there were less expenses required due to lower enrollment. Instruction-related technology increased due to acquisitions of non-capitalized computer equipment made in fiscal 2017. Pupil transportation expenses decreased as the School had moved into its new facility, so it was not necessary to transport students. Operation and maintenance of plant expenses increased primarily as the result of additional expenses associated with the School's new facility.

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. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$53,266. The total combined fund balance was less than the total government wide net position as the total amount for capital assets, net and deposit at the end of the fiscal year exceeded the noncurrent liability.

General Fund Budgetary Highlights

Budget amendments, if necessary, generally fall into two categories:

- Changes made to account for changes in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

For the year ended June 30, 2018, actual general fund revenues were approximately \$46,000 below the final budgeted amounts. This variance was primarily the result of certain grant revenue, which was included in the general fund budget, being accounted for in the special revenue fund. Actual general fund expenditures were approximately \$84,000 below budgeted amounts primarily as a result of lower than expected instruction and general expenses. In addition, certain grant expenditures, which were included in the general fund budget, were accounted for in the special revenue fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the School had \$772,562 in capital assets, net of accumulated depreciation and amortization. The School's major capital asset addition for the year ended June 30, 2018 was furniture and equipment. Total cost of the additions was approximately \$64,500. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

There were no significant capital asset disposals in the current fiscal year.

Debt Administration

As of June 30, 2018, the School had total liabilities of approximately \$718,000, most of the liabilities are noncurrent, and associated with the bank loans and related party loans obtained to finance the construction of the leasehold improvements for the School's new facility. More detailed information about the School's noncurrent debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS

As a Charter School, the School receives most of its funding from FEFP, which are primarily State funds. The State of Florida, by constitution, does not have a state personal income tax and therefore, the state operates primarily using sales, gasoline and corporate income taxes.

NEXT YEAR'S BUDGET

For the year ending June 30, 2019, the School's original budget reflects combined government fund revenue to be \$1,074,520, which is an increase of \$28,594 from actual year ended June 30, 2018 combined government fund revenue of \$1,045,926. The increase in revenue is a result of an anticipated increase in student enrollment for the 2018-2019 School year. Budgeted combined government fund expenditures are expected to be \$1,043,707, which is a decrease of \$21,262 from the actual year ended June 30, 2018 combined government fund expenditures of \$1,064,969. The Board of Directors is currently working on efforts to increase the enrollment of the School. The School does not anticipate that it will add any new major programs to the year ending June 30, 2018.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 11093 NW 138th Street #207, Hialeah Gardens, Florida 33018.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2018

		Governmental Activities
ASSETS		
Cash		\$ 52,779
Receivables		28,195
Prepaid expenses		2,414
Capital Assets:		
Furniture and equipment	\$ 94,578	
Equipment under capital lease	99,075	
Leasehold improvements	795,351	
Total capital assets	989,004	
Less accumulated depreciation and amortization	(216,442)	
Total capital assets, net		772,562
Security deposit		9,408
Total assets		\$ 865,358
LIABILITIES		
Salaries payable and other accrued expenses		\$ 30,122
Noncurrent liability:		
Due within one year:		
Bank loan	\$ 46,301	
Due in more than one year:		
Deferred lease obligation	97,663	
Bank loan	428,406	
Due to Related Party	102,151	
Accrued interest related party	13,798	
Total noncurrent liability		688,319
Total liabilities		718,441
NET POSITION		
Net investment in capital assets		252,855
Restricted for student graduate scholarships		8,200
Unrestricted		(114,138)
Total net position		146,917
Total liabilities and net position		\$ 865,358

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 478,309	\$ -	\$ 17,000	\$ -	\$ (461,309)	\$ (461,309)
Instructional support services	85,183	-	82,922	-	(2,261)	(2,261)
Instruction-related technology	35,733	-	1,953	-	(33,780)	(33,780)
General administration	39,567	-	-	-	(39,567)	(39,567)
Board and fiscal services	11,675	-	-	-	(11,675)	(11,675)
School administration	185,700	-	-	-	(185,700)	(185,700)
Operation and maintenance of plant	264,090	-	-	60,439	(203,651)	(203,651)
Interest - bank loan and capital leases	24,034	-	-	-	(24,034)	(24,034)
Interest on due to related party	4,597	-	-	-	(4,597)	(4,597)
Total governmental activities	\$ 1,128,888	\$ -	\$ 101,875	\$ 60,439	(966,574)	(966,574)
			General revenues:			
					806,877	806,877
					100,910	100,910
					<u>907,787</u>	<u>907,787</u>
					(58,787)	(58,787)
					<u>205,704</u>	<u>205,704</u>
					(58,787)	(58,787)
					<u>205,704</u>	<u>205,704</u>
					<u>\$ 146,917</u>	<u>\$ 146,917</u>

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$ 52,779	\$ -	\$ 52,779
Receivables	27,339	856	28,195
Due from capital projects fund	856	-	856
Prepaid expenses	2,414	-	2,414
Total assets	<u>\$ 83,388</u>	<u>\$ 856</u>	<u>\$ 84,244</u>
LIABILITIES AND FUND BALANCE			
Due to general fund	\$ -	\$ 856	\$ 856
Salaries payable and other accrued expenses	30,122	-	30,122
Total liabilities	30,122	856	30,978
Fund balance:			
Nonspendable	2,414	-	2,414
Restricted for student graduate scholarships	8,200	-	8,200
Unassigned	42,652	-	42,652
Total fund balance	53,266	-	53,266
Total liabilities and fund balance	<u>\$ 83,388</u>	<u>\$ 856</u>	<u>\$ 84,244</u>

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2018

Total fund balance – governmental fund **\$ 53,266**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

The cost of capital assets is:	\$ 989,004	
Related accumulated depreciation and amortization is:	<u>(216,442)</u>	
Total capital assets, net		772,562

Security deposit on leasehold property	9,408
--	-------

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the government funds. Those liabilities consist of:

Deferred lease obligation	(97,663)	
Bank loan	(474,707)	
Due to Related Party	(102,151)	
Accrued interest related party	<u>(13,798)</u>	
		<u>(688,319)</u>

Total net position – governmental activities **\$ 146,917**

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 84,875	\$ -	\$ -	\$ 84,875
State sources	806,877	-	-	23,234	830,111
Local capital improvement revenue	-	-	-	37,205	37,205
Contributions and other revenue	76,735	17,000	-	-	93,735
Total revenues	<u>883,612</u>	<u>101,875</u>	<u>-</u>	<u>60,439</u>	<u>1,045,926</u>
EXPENDITURES					
Current:					
Instruction	381,309	17,000	-	-	398,309
Instructional support services	2,261	82,922	-	-	85,183
Instruction-related technology	9,981	1,953	-	-	11,934
General administration	39,567	-	-	-	39,567
Board and fiscal services	11,675	-	-	-	11,675
School administration	182,441	-	-	-	182,441
Operation and maintenance of plant	220,933	-	-	-	220,933
Debt service:					
Principal - bank loan and capital leases	-	-	50,548	-	50,548
Interest - bank loan and capital leases	-	-	24,034	-	24,034
Capital outlay	40,345	-	-	-	40,345
Total expenditures	<u>888,512</u>	<u>101,875</u>	<u>74,582</u>	<u>-</u>	<u>1,064,969</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(4,900)</u>	<u>-</u>	<u>(74,582)</u>	<u>60,439</u>	<u>(19,043)</u>
Other financing sources					
Transfers in	60,439	-	74,582	-	135,021
Transfers out	<u>(74,582)</u>	<u>-</u>	<u>-</u>	<u>(60,439)</u>	<u>(135,021)</u>
Other financing sources, net	<u>(14,143)</u>	<u>-</u>	<u>74,582</u>	<u>(60,439)</u>	<u>-</u>
Net changes in fund balances	(19,043)	-	-	-	(19,043)
Fund balance at beginning of year	<u>72,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,309</u>
Fund balance at end of year	<u>\$ 53,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,266</u>

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances – total governmental funds **\$ (19,043)**

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

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capital acquisitions are allocated over their estimated useful lives and reported as depreciation and amortization expense and allocated to functions.

The amount by which depreciation and amortization expense exceeds capital outlays and contributions of capital assets is calculated as follows:

Capital outlays	\$	40,345	
Contributions of capital assets		24,175	
Depreciation and amortization expense		<u>(107,058)</u>	
			(42,538)

Obtaining noncurrent debt provides current financial resources to governmental funds, while the repayment of the principal of noncurrent debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these transactions is as follows:

Deferred lease obligation		(43,157)	
Interest on due to related party		(4,597)	
Repayment of noncurrent debt principal		<u>50,548</u>	
			<u>2,794</u>

Change in net position of governmental activities **\$ (58,787)**

The accompanying notes to financial statements are an integral part of this statement.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE – 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Latin Builders Association Construction and Business Management Academy (the "School") is operated by The LBA Children & Families Foundation, Inc. (LBACFF), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation's Board of Directors. The School commenced formal operations for the fiscal year ended June 30, 2013.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "School Board"). During the year ended June 30, 2016, the charter was renewed for 10 years until June 30, 2026. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is sponsored by the School Board and is considered to be a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School follows generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Recent accounting pronouncements

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

The School implemented Governmental Accounting Standards Board (GASB) Statements 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements, which include the statement of net position and the statement of activities, report all activities of the School and its component units, and do not include fiduciary funds. The statement of net position includes all of the School's assets and liabilities. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include capital grants specific to capital outlay, operating grants and contributions, and charges to recipients for goods and services associated with programs. Other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School. The government-wide financial statements of the School are generally divided into three categories:

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources, such as Federal grants that are restricted by law or administrative action to expenditure for specific purposes.
- Debt Service Fund – accounts for accumulation of resources for, and the payment of, general long-term debt principal and interest.
- Capital Projects Fund – to account for the financial resources accumulated that are restricted for capital outlays.

For purposes of these statements, the general fund constitutes the major fund. The capital projects fund, special revenue fund and debt service funds are considered non-major funds.

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and balance sheet – governmental funds, and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and purchased services).

Deposits and investments

The School maintains its cash accounts in financial institutions subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per financial institution. As of June 30, 2018, the School did not have deposits with custodial credit risk exposure in excess of FDIC coverage.

The School has not formally adopted an investment policy regarding custodial credit risk; however, Management of the School believes the stability and financial strength of the financial institutions significantly reduces the custodial credit risk.

Receivables

Receivables consist of donations, contributions, and other amounts due to the School. At June 30, 2018, receivables include \$22,249 due from the School Board related to overpayments by the School of certain lease expenditures made in prior years. Management performed an assessment of receivables at June 30, 2018, which was based on its historical collection experience, and determined that an allowance for doubtful accounts was not considered necessary.

Due to and from Government Funds

Interfund receivables and payables arise from interfund transaction and are recorded by all funds affected in the period in which transactions are executed. Interfund activity is eliminated in the government wide financial statements.

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation and amortization, in the government-wide financial statements. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

	<u>Years</u>
Furniture, fixtures and equipment	5
Equipment capitalized under capital lease	5

Leasehold improvements are depreciated over the lesser of the assets respective useful life or the remaining term of the lease.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

Income taxes

The LBA Children & Families Foundation, Inc is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. LBACFF has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. LBACFF assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that LBACFF believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service or the applicable state taxing authority. LBACFF believes all of its tax positions have a greater than 50% chance of realization in the event of an IRS audit. LBACFF has not accrued any interest and or penalties related to income taxes. LBACFF is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue sources

Revenues for current operations are received primarily from the School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives an administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated based on an applicable percentage of the FEFP revenue up to 250 students. For the year ended June 30, 2018, the administrative fee charged by the School Board was approximately \$39,600.

Revenues received from the School Board of Miami-Dade County, Florida are recognized when considered earned, which is generally in the month when the moneys are received.

Revenues from non-exchange donations and contributions to the School are recognized when the donor's commitment to contribute has been obtained and eligibility has been met.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. At June 30, 2018, the School had restricted net position associated with scholarships for students that graduate from the School.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2018, the School had restricted fund balances associated with scholarships for students that graduate from the School.
3. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2018, the School did not have any committed fund balances.
4. Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2018, the School did not have assigned fund balances.
5. Unassigned – fund balance classification is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the School's board of directors. There are no minimum fund balance requirements for any of the School's funds.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

NOTE – 2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture and equipment	\$ 33,257	\$ 61,321	\$ -	\$ 94,578
Equipment under capital lease	99,075	-	-	99,075
Leasehold improvements	792,151	3,200	-	795,351
Total capital assets at historical cost	<u>924,483</u>	<u>64,521</u>	<u>-</u>	<u>989,004</u>
Less accumulated depreciation and amortization for:				
Furniture and equipment	(15,111)	(7,868)	-	(22,979)
Equipment under capital lease	(48,064)	(19,815)	-	(67,879)
Leasehold improvements	<u>(46,209)</u>	<u>(79,375)</u>	<u>-</u>	<u>(125,584)</u>
Total accumulated depreciation and amortization	<u>(109,384)</u>	<u>(107,058)</u>	<u>-</u>	<u>(216,442)</u>
Governmental activities capital assets, net	<u>\$ 815,099</u>	<u>\$ (42,537)</u>	<u>\$ -</u>	<u>\$ 772,562</u>

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

For the year ended June 30, 2018, depreciation and amortization was allocated to functions as follows:

Instruction	\$ 80,000
Instruction related technology	23,799
School administration	3,259
	<u>\$ 107,058</u>

Included in the table above are increases of used furniture and equipment with a value of \$24,175, which was donated to the School by the School Board. The value was determined using the acquisition value method, which is defined as the price that would be paid in an orderly market transaction at the acquisition date to acquire an asset that has equivalent service potential.

NOTE – 3 STATE, LOCAL, AND FEDERAL REVENUE

The following are schedules of state, local and federal revenue sources for the year ended June 30, 2018:

State Sources:

Florida Education Finance Program	\$ 607,200
Class size reduction	114,462
Supplemental academic instruction	40,335
ESE guaranteed allocation	8,388
Instructional materials	9,123
Safe schools	3,316
Reading allocation	5,053
Other	19,000
	<u>806,877</u>
Total	806,877
State Capital Outlay	23,234
Total State Sources	<u>\$ 830,111</u>

Local Sources:

Local capital improvement revenue	\$ 37,205
-----------------------------------	-----------

Federal Sources:

Title 1 Program	\$ 84,875
-----------------	-----------

The State Capital Outlay, Local Capital Improvement Revenue, and Title 1 Program revenues shown on the above schedule are considered program revenue. The School also had \$17,000 associated with a grant that is considered program revenue. All other revenues listed on the schedule and on the statement of activities are considered general revenues.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

NOTE – 4 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of insurance coverage. Settlement amounts have historically not exceeded insurance coverage. In addition, for the year ended June 30, 2018, there were no reductions in insurance coverage from those in the prior year.

NOTE – 5 COMMITMENTS AND CONTINGENT LIABILITIES

The School receives a majority of its funding from the School Board under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of Management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures, which may be disallowed by grantor agencies would not be material to the financial position of the School.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of Management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

During December 2016, the School moved into its new location in Hialeah Gardens, Florida. The lease for the new location was executed in June 2016, for a space of approximately 14,000 square feet. The lease is for a period of ten years and has two five year renewal options. Pursuant to the lease agreement, the initial twelve months of rent shall be abated, however, during this period the School is required to pay Common Area Maintenance, as defined in the lease agreement. In the second year of the lease, monthly rent is charged at \$9,407 with an annual increase of 1.75% for each additional year thereafter. For the statement of activities, rent expenses pursuant to this lease are measured using the straight-line method over the term of the lease in accordance with GASBS No. 13, paragraph 6. The total expense for this lease during the year ended June 30, 2018, was \$158,417, and is included under the caption operation and maintenance of plant in the accompanying statement of activities. The statement of net position at June 30, 2018 includes \$97,663 pertaining to deferred lease obligations associated with recognizing rent expense using the straight-line method. The accompanying statement of revenues, expenditures and changes in fund balances – governmental funds includes expenditures of \$115,259 related to rent payments and Common Area Maintenance paid pursuant to this lease under the caption operation and maintenance of plant. Such amounts are recognized as expenditures, since they were payable with expendable using available financial resources during the year ended June 30, 2018.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

The following is a schedule of future minimum lease payments, including expected Common Area Maintenance costs, pertaining to non-cancellable operating leases.

Year ending	Amount
June 30,	
2019	151,028
2020	153,021
2021	155,049
2022	157,112
2023	159,211
2024 - 2027	574,023
Total	<u>\$ 1,349,444</u>

NOTE – 6 MANAGEMENT AGREEMENT

The School has a management agreement (“Agreement”) with the School Board to provide management and administration services to the School. The Agreement calls for the School to pay the School Board an annual management fee of \$440 per full-time equivalent student. For fiscal year ended June 30, 2018, the School incurred \$50,901 in expenses pertaining to this agreement; however, such fees were returned to the School by the School Board. The management agreement was renewed in August 2016, and is to be in effect for the term of the School’s charter, unless earlier terminated as provided for in the Agreement.

NOTE – 7 NONCURRENT DEBT

Due to Related Party

At June 30, 2018, the School owed the Latin Builders Association, Inc. (LBA) \$44,818 pertaining to certain advances the LBA provided to the School during the fiscal year ended June 30, 2013. The LBA is considered a related party, as certain members of its board of directors are also members of the board of directors of LBACFF, which serves as the School's governing board. The promissory note (the "First Note") shall be payable on or before September 1, 2023, at which time the entire unpaid interest and principal balance shall be due and payable. The First Note bears interest at a rate of 4.5% per annum. The First Note can be prepaid by the School without incurring a prepayment penalty.

At June 30, 2018, the School owed the LBA an additional \$57,333 associated with two other loans consisting of: 1) a loan for \$45,000 for construction costs associated with the leasehold improvements of the School’s new facility (described in Note 5) and 2) a loan for \$12,333 for operating capital made in prior fiscal years. The two other promissory notes (the “Other Notes”) shall be payable on or before September 1, 2023, at which time the entire unpaid interest and principal balance shall be due and payable. The Other Notes bears interest at a rate of 4.5% per annum, and can be prepaid by the School without incurring a prepayment penalty. The Other Notes include a clause, which allows for the LBA to forgive the debt.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

Capital Lease Obligations

The School had two capital lease obligations related to technology equipment. Pursuant to the lease agreements, monthly payments of \$2,684 and \$1,848 were payable for 24 months. The School calculated the interest rate on the capital lease to be 9.13%. The capital lease obligations were paid off during the year ended June 30, 2018.

Bank Loan

In July 2016, LBACFF executed a loan agreement with a bank for the purpose of financing the construction of the leasehold improvements for the School's new facility. The loan amount was originally \$400,000, and was increased during the year ended June 30, 2017 by \$157,000. The total of the amount borrowed was \$557,000. The term of the loan is for five years, and is to be repaid in monthly payments of principal and interest based on a ten year amortization schedule. A balloon payment of the outstanding principal and interest shall be due at maturity. The loan has an annual fixed rate of 4.75%. The proceeds of the loan were used by the School to pay for costs associated with leasehold improvements, and acquisitions of school furniture and school equipment for the new facility. The loan is securitized by substantially all of the assets of the School.

The following summarizes the noncurrent debt activity pertaining to the related party liability, capital lease obligations, and bank loan during the year ended June 30, 2018:

	Due to Related Party	Capital Lease Obligations	Bank Loan	Total
Balance outstanding at beginning of year	\$ 102,151	\$ 3,654	\$ 521,601	\$ 627,406
Additions	-	-	-	-
Reductions	-	(3,654)	(46,894)	(50,548)
Balance outstanding at end of year	<u>\$ 102,151</u>	<u>\$ -</u>	<u>\$ 474,707</u>	<u>\$ 576,858</u>
Amount due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,301</u>	<u>\$ 46,301</u>

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

The following table summarizes the School's future debt service requirements for the related party, capital lease, and bank loan as of June 30, 2018:

Year ending June 30,	Related Party Liability		Bank Loan Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 46,301	\$ 21,749	\$ 46,301	\$ 21,749
2020	-	-	48,549	19,501	48,549	19,501
2021	-	-	50,905	17,144	50,905	17,144
2022	-	-	328,952	8,867	328,952	8,867
2023	-	-	-	-	-	-
2024	102,151	37,022	-	-	102,151	37,022
Total	<u>\$ 102,151</u>	<u>\$ 37,022</u>	<u>\$ 474,707</u>	<u>\$ 67,261</u>	<u>\$ 576,858</u>	<u>\$ 104,283</u>

The School transfers from the General Fund to the Debt Service Fund moneys for the purpose of paying long-term debt. Long-term debt is typically paid out of the Debt Service Fund.

The School also has noncurrent debt associated with the deferred lease obligations described in Note 5.

NOTE – 8 OTHER RELATED PARTY TRANSACTIONS

During the year ended June 30, 2018, the School received approximately \$15,500 in contributions from the LBA.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 (Continued)

NOTE 9 – INTERFUND ACTIVITY

The following is a schedule of transfers in and out of the governmental funds during the year ended June 30, 2018:

Purpose	General Fund Transfer In/(Transfer Out)	Debt Service Fund Transfer In	Capital Projects Fund (Transfer Out)
Transfer from Capital Projects Fund to General Fund for payment of lease expenditures	\$ 60,439	\$ -	\$ (60,439)
Transfer from General Fund to Debt Service for payment of debt service expenditures	(74,582)	74,582	-
	<u>\$ (14,143)</u>	<u>\$ 74,582</u>	<u>\$ (60,439)</u>

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY**

**A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>GAAP Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State sources	\$ 935,615	\$ 799,312	\$ 806,877	\$ 7,565
Federal sources	43,500	84,875	-	(84,875)
Contributions and other revenue	35,000	45,000	76,735	31,735
Total revenues	<u>1,014,115</u>	<u>929,187</u>	<u>883,612</u>	<u>(45,575)</u>
EXPENDITURES				
Current:				
Instruction	484,577	364,529	381,309	(16,780)
Instructional support services	9,841	80,909	2,261	78,648
Professional development	3,100	700	-	700
Instruction-related technology	15,500	16,500	9,981	6,519
General administration	110,581	93,865	39,567	54,298
Board and fiscal services	23,040	19,900	11,675	8,225
School administration	180,932	180,074	182,441	(2,367)
Pupil transportation	1,000	1,000	-	1,000
Operation and maintenance of plant	209,986	215,191	220,933	(5,742)
Debt service	-	-	-	-
Capital outlay	-	-	40,345	(40,345)
Total expenditures	<u>1,038,557</u>	<u>972,668</u>	<u>888,512</u>	<u>84,156</u>
Other financing sources, net	<u>(34,750)</u>	<u>(19,298)</u>	<u>(14,143)</u>	<u>5,155</u>
Net changes in fund balance	<u>\$ (59,192)</u>	<u>\$ (62,779)</u>	<u>\$ (19,043)</u>	<u>\$ 43,736</u>

See report of independent auditors.

NOTES TO BUDGETARY COMPARISON SCHEDULE

The School's budget presented in the accompanying budgetary comparison schedule is annually adopted and prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Amendments to the School's budgets can only be made with the approval of the board of directors.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Latin Builders Association Construction
and Business Management Academy
Hialeah Gardens, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 13, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Sotolongo & Associates, P.A." in a cursive script.

Miami, Florida
September 13, 2018

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES, FLORIDA VIRTUAL SCHOOL, AND VIRTUAL SCHOOL
INSTRUCTION PROGRAM PROVIDERS*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Latin Builders Association Construction
and Business Management Academy
Hialeah Gardens, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 13, 2018.

Auditor's Responsibility

We conducted our audit 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 Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated, September 13, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings made in the preceding annual financial audit report. However, we did have a recommendation to Management and the Board of Directors, regarding the review of budget versus actual on a monthly basis and assessing the financial condition of the School on a monthly basis, which was complied with.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the School is Latin Builders Association Construction and Business Management Academy. The name of the not-for-profit entity that operates the School is The LBA Children & Families Foundation, Inc.

Financial Condition and Management

Section 10.854(1)(e)2., and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Latin Builders Association Construction and Business Management Academy has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

In connection with our audit, we determined that the Latin Builders Association Construction and Business Management Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Latin Builders Association Construction and Business Management Academy. It is management's responsibility to monitor the Latin Builders Association Construction and Business Management Academy'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. The financial condition assessment procedures applied in connection with our audit has lead us to believe that the School is not in a Deteriorating Financial Condition, as defined in Section 10.854(1)(b), Rules of the Auditor General. However, the School did have a reduction in net position for the year ended June 30, 2018, which increased the deficit in unrestricted net position as of June 30, 2018. Pursuant to Sections 218.39(5), Florida Statutes, the deficit in unrestricted net position is being notified to each member of the governing body with the following finding:

2018-001 Deficit in Unrestricted Net Position

Criteria: Pursuant to Sections 218.39(5), Florida Statutes, the auditor must notify each member of the governing body of a fund balance deficit in total or a deficit for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition: The statement of net position as of June 30, 2018 reflects an unrestricted net position deficit of \$114,138. The unassigned fund balance on the balance sheet – governmental funds as of June 30, 2018, is not sufficient to cover this deficit. It should be noted that the School had a surplus in total net position at June 30, 2018 of \$146,917 and a surplus in total fund balance of \$53,266.

Cause: During the years ended June 30, 2018 and 2017, the School made a large investment in furniture and equipment and leasehold improvements, which resulted in an increase in the net investment in capital assets. This investment was made in part with current assets, which caused a reduction in unrestricted net position. In addition, for the year ended June 30, 2018 the statement of activities shows a decrease in net position of \$58,261. This decrease was caused primarily as a result of a reduction in enrollment related revenue.

Effect: The School's investments in capital assets during the years ended June 30, 2018 and 2017, and the decrease in net position for the year ended June 30, 2018, have resulted in a larger deficit in unrestricted net assets as of June 30, 2018.

Recommendations: The School should continue its work towards increasing enrollment related revenue. As of the issuance of this management letter, the School has increased enrollment for 2018-2019 by approximately 14 students, which, if maintained, will result in

additional revenue. In addition to this revenue, we recommend that the School's board of directors increase its fundraising efforts in order for the School to obtain private donations from the Board of Director's network of donors. The School's Board of Directors should continue to meet on a monthly basis to monitor the School's financial condition with the goal of increasing its net assets and fund balance.

Views of responsible officials and planned corrective actions: Responsible officials are in agreement with this finding. The School has already implemented a plan to increase enrollment and also has plans for additional fundraising events for the 2018-2019 school year.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We believe that the recommendation made above in finding 2018-001 will improve financial management.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our recommendation as to whether the Latin Builders Association Construction and Business Management Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Latin Builders Association Construction and Business Management Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



Miami, Florida
September 13, 2018