

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)**

FINANCIAL STATEMENTS

JUNE 30, 2017



LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	13
Notes to Basic Financial Statements	14 - 20
REQUIRED SUPPLEMENTARY INFORMATION:	21
Budgetary Comparison Schedule	22
Note to Budgetary Comparison Schedule	23
SUPPLEMENTARY AUDITOR'S REPORTS:	24
INDEPENDENT AUDITOR'S REPORT 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>	25
MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	26 - 27

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Lincoln-Marti Charter Schools, Inc. (Osceola Campus Charter School) (the "School"), (a Component Unit of the School Board of Osceola County), as of and for the year ended June 30, 2017, 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

The School's 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the School as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and fund information of Lincoln-Marti Charter Schools, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Lincoln-Marti Charter Schools, Inc., as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 and budgetary comparison information on pages 22 and 23 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 as of and for the year ended June 30, 2017 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 August 30, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Monison, Brown, Ariz & Fana

Miami, Florida
August 30, 2017

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

As management of Lincoln-Marti Charter Schools, Inc. (Osceola Campus Charter School) (the "School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School as of and for the year ended June 30, 2017.

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 audited financial statements, which consists of the financial statements and supplementary information intended to furnish additional detail to support the financial statements themselves.

Financial Highlights

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

The School's current year of operations generated a change in net position of \$21,798. Revenues for the year ended June 30, 2017 were approximately \$213,000. The majority of the revenues consisted of contributions and state FTE revenues for the current fiscal year 2017. Expenses during the year ended June 30, 2017 were approximately \$191,000, which consisted mainly of the operation of plant, instruction and central services. This was a result of the School being in its first year of operation which resulted in more funds being allocated to these governmental activities.

The net position of the School at June 30, 2017 was \$21,798, of which \$4,284 was unrestricted.

Using this Annual Report

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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.

Government 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 the 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 and is presented as required supplementary information.

The School adopts an annual budget for its governmental fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget and is presented as required supplementary information.

The governmental fund financial statements can be found on pages 11 through 13 of this report.

Notes to the Basic 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 basic financial statements can be found on pages 14 through 20 of this report.

Other Information

In addition to the 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 22 and 23 of this report.

Our auditor has provided reasonable assurance in their independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the 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.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Government-wide Financial Analysis

This is the School's first year of operations. The School's net position was \$21,798 at June 30, 2017. Of this amount, \$4,284 is unrestricted and \$17,514 is invested in capital assets.

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

Net Position

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

Table A-1
Summary of net position

	June 30, 2017
Current assets	\$ 170,180
Capital assets, net	17,514
Total assets	187,694
Accounts payable and accrued expenses	17,433
Due to related parties	148,463
Total liabilities	165,896
Investment in capital assets	17,514
Unrestricted	4,284
Total net position	\$ 21,798

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Government-wide Financial Analysis (Continued)

Net Position (Continued)

Table A-2
Summary of changes in net position

	Year ended June 30, 2017
State FTE revenues	\$ 16,992
Local grants and other	1,000
Contributions	194,525
Total Revenues	212,517
EXPENSES	
Instruction	(29,946)
Instruction and curriculum development services	(1,829)
School board	(7,500)
School administration	(9,306)
Food services	(2,225)
Central services	(24,489)
Operation of plant	(84,728)
Maintenance of plant	(30,696)
Total Expenses	(190,719)
Change in net position	21,798
Net position, beginning	-
Net position, ending	\$ 21,798

As noted in Table A-2, the cost of all governmental activities during the year ended June 30, 2017 was \$190,719. The majority of these activities were financed through general revenues of \$210,292, which consist primarily of contributions and state FTE revenues for the year ended June 30, 2017.

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Financial Analysis of the School's Fund

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

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

At the end of the School's fiscal year of operations for 2017, fund balance of the general fund was \$4,284. 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 and for the year ended June 30, 2017.

Table B-1
Summary of condensed balance sheet

	June 30, 2017
Total assets	\$ 170,180
Total liabilities	\$ 165,896
Total fund balance	4,284
Total liabilities and fund balance	\$ 170,180

Table B-2
Summary of condensed statement of revenues, expenditures and changes in fund balance

	Year ended June 30, 2017
Total revenues	\$ 212,517
Total expenditures	173,205
Excess of revenues over expenditures	\$ 39,312

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Major Governmental Funds Budgeting and Operating Highlights

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the budget during the fiscal year ended June 30, 2017.

The general fund actual revenues were \$212,517 for the year ended June 30, 2017. This is below the budget estimates primarily due to state FTE revenues being less than expected.

The actual expenditures of the general fund were \$208,233 for the fiscal year ended June 30, 2017. This is slightly above the budget estimates primarily due to higher than expected operation of plant. See page 22 for the budgetary comparison schedule.

Capital Assets

At June 30, 2017, the School had \$19,881 invested in classroom furniture, fixtures, equipment, and other, of which \$2,367 has been depreciated, which resulted in a net book value of \$17,514. Total additions for the year ended June 30, 2017 were \$19,881.

Economic Factors and Next Year's Budget

The State of Florida education funding for the Florida Education Finance Program for the fiscal year 2017-2018 minimally increased. Student enrollment is expected to increase in the upcoming fiscal years. These factors were considered in preparing the School's budget for fiscal year 2017-2018.

Requests for Information

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Cash	\$ 170,180
Capital assets:	
Classroom furniture, fixtures, equipment and other	19,881
Less accumulated depreciation	<u>(2,367)</u>
TOTAL ASSETS	<u>\$ 187,694</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable and accrued expenses	\$ 17,433
Due to related parties	<u>148,463</u>
TOTAL LIABILITIES	<u>165,896</u>

NET POSITION

Investment in capital assets	17,514
Unrestricted	<u>4,284</u>
TOTAL NET POSITION	<u>21,798</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 187,694</u>

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

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants	Revenues and Changes in Net Position Governmental Activities Total
Governmental Activities:					
Instruction	\$ (29,946)	\$ -	\$ -	\$ -	\$ (29,946)
Instruction and curriculum development services	(1,829)	-	-	-	(1,829)
School board	(7,500)	-	-	-	(7,500)
School administration	(9,306)	-	-	-	(9,306)
Food services	(2,225)	-	2,225	-	-
Central services	(24,489)	-	-	-	(24,489)
Operation of plant	(84,728)	-	-	-	(84,728)
Maintenance of plant	(30,696)	-	-	-	(30,696)
Total activities	<u>\$ (190,719)</u>	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ (188,494)</u>
General Revenues:					
FTE non-specific revenues					\$ 16,992
Contributions					192,300
Miscellaneous					1,000
Total general revenues					<u>\$ 210,292</u>
Change in net position					\$ 21,798
Net position, beginning					-
Net position, ending					<u>\$ 21,798</u>

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

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)**

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2017

ASSETS

Cash	<u>\$ 170,180</u>
------	-------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 17,433
Due to related parties	<u>148,463</u>

TOTAL LIABILITIES	<u>\$ 165,896</u>
-------------------	-------------------

FUND BALANCE

Nonspendable	\$ -
Unassigned	<u>4,284</u>

TOTAL FUND BALANCE	<u>\$ 4,284</u>
--------------------	-----------------

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 in the funds	<u>17,514</u>
---	---------------

Net position of governmental activities	<u>\$ 21,798</u>
---	------------------

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES:

State FTE revenues	\$ 16,992
Local grants and other	1,000
Contributions	194,525
	<hr/>
Total revenues	212,517

EXPENDITURES:

Instruction	29,946
Instruction and curriculum development services	1,829
School board	7,500
School administration	9,306
Food services	2,225
Central services	24,489
Operation of plant	64,847
Maintenance of plant	33,063
	<hr/>
Total expenditures	173,205
	<hr/>
Change in fund balance	39,312
Fund balance at beginning of year	-
	<hr/>
Fund balance at end of year	\$ 39,312

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental fund	\$	4,284
Expenditures for capital assets		19,881
Less current year depreciation		<u>(2,367)</u>
Change in net position of governmental activities	\$	<u>21,798</u>

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

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)**

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On April 19, 2016, the Osceola 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 Schools (Osceola Campus Charter School) (the "School"). Lincoln-Marti Charter Schools, Inc. (the "Organization") is a non-profit organization incorporated under the laws of Florida to operate charter schools organized pursuant to Section 1002.33 of the Florida Statutes. The governing body of the School is the Organization's Board of Directors.

The School operates under a charter of the sponsoring school district, the Osceola County School Board (the "School Board"). The School's charter was approved by the School Board on April 19, 2016 and is effective as of the approval date until June 30, 2021. Pursuant to Section 1002.33(8)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the School is considered a component unit of the School Board of Osceola County and is included in the School Board's comprehensive annual financial report.

Enrollment and Grade Configuration

<u>School Name and Address</u>	<u>Grades</u>	<u>Enrollment</u>
Lincoln-Marti Charter Schools (Osceola Campus Charter School) 2244 Fortune Road Kissimmee, FL 34744	K - 8	3

Board of Directors

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

Martin Anorga	President
Clay Reiner	Vice President
Gil Beltran	Treasurer

Financial Statement Presentation

For financial reporting purposes, Osceola Campus Charter School is a Charter School operated by Lincoln-Marti Charter Schools, Inc.

The financial statements present the government-wide statements, balance sheet and statement of revenues, expenditures and changes in fund balance for the Osceola Campus Charter School of Lincoln-Marti Charter Schools, Inc. only and do not represent a complete presentation of the assets, liabilities, net position, statement of activities and cash flows of Lincoln-Marti Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying financial statements are not intended to present the financial position of Lincoln-Marti Charter Schools, Inc. as of June 30, 2017 or its changes in net position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-Wide and Fund Financial Statements

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

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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) Florida Department of Education ("FDOE") funding through the Florida Education Finance Program, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. FTE dollars and other items not properly included among program revenues are reported instead as general revenues.

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

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.

The School's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Assets, Liabilities and Net Position

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, 2017.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Capital Assets

Capital assets, which include improvements other than buildings and classroom furniture, fixtures, textbooks, equipment and others, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual or collective 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 asset lives are not capitalized.

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

	<u>Years</u>
Classroom furniture, fixtures, textbooks, equipment and others	3 - 7

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 represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Fund Balance/Net Position

GASB defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventories and prepayments) or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Fund Balance/Net Position (Continued)

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors. These amounts cannot be used for any other purpose unless the School's Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School's Board of Directors.

Unassigned - This classification consists of the fund balance for the General Fund. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

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

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

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

Unrestricted Net Position - represent unrestricted assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for a purpose in which both restricted and unrestricted funds are available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School has provided otherwise in its commitment or assigned actions.

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.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Sources

Revenues for current operations are received primarily from the 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 School Board. Under the provisions of Section 1011.62, of the Florida Statutes, the School Board 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.

Income Taxes

Lincoln-Marti Charter Schools, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Subsequent Events

The School has evaluated subsequent events through August 30, 2017, which is the date the financial statements were available to be issued.

2. CASH

The School's cash includes cash on hand and demand deposits. At June 30, 2017 the carrying amount of the School's deposits were \$170,180, while the bank balances of such deposits were \$5,937. The School's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). At times, bank balances may potentially be in excess of the FDIC coverage. All cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer.

3. CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets for the year ended June 30, 2017:

	<u>2017</u>
Capital assets being depreciated:	
Classroom furniture, fixtures, equipment and others	\$ 19,881
Less accumulated depreciation for:	
Classroom furniture, fixtures, equipment and others	<u>(2,367)</u>
Total capital assets being depreciated, net	<u>\$ 17,514</u>

Expenditures for capital assets during the fiscal year ended June 30, 2017 were \$19,881. For the year ended June 30, 2017, depreciation expense of \$ 2,367, which is included in the maintenance of plant caption on the statement of activities.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

4. COMMITMENTS AND CONTINGENCIES

Lease Agreement with D.P. Real Estate Holdings, LLC

The School entered into a lease agreement for the School premises with D.P. Real Estate Holdings, LLC ("DP"), a related party, on August 1, 2016. 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 ten years, expiring in December 31, 2026, and includes a provision for escalating annual rentals based on a rate of 4% per year.

Minimum required future rental payments under this operating lease as of June 30, 2017 are as follows:

2018	\$	69,000
2019		71,000
2020		74,000
2021		77,000
2022		79,000
Thereafter		<u>388,000</u>
	\$	<u>758,000</u>

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 the following entities:

School Board

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of up to five percent (5%) of the qualifying revenues of the School. During the year ended June 30, 2017, approximately \$900 was paid to the School Board for administrative fees. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 3 full time students enrolled during the fiscal year ended June 30, 2017. The School also receives other allowances based upon students enrolled. The School reimbursed approximately \$55,000 to the School Board based on the 2016-2017 Florida Education Finance Program's final calculation adjustments during the fiscal year ended June 30, 2017.

D.P. Real Estate Holdings, LLC

The School is related to DP as a result of the School and DP sharing common management. During the year ended June 30, 2017, lease expense for the rental of the school property between DP and the School was approximately \$76,000, which is included in the operation of plant caption on the statement of activities. At June 30, 2017, the School owes DP approximately \$49,000. This amount is unsecured, non-interest bearing and due on demand. Additionally, DP contributed approximately \$165,000 to provide funding for the School's operations during the fiscal year ended June 30, 2017.

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

5. RELATED PARTY TRANSACTIONS (CONTINUED)

Lincoln-Marti Community Agency, Inc.

The School is a related party to Lincoln-Marti Community Agency, Inc. ("LMCA") as a result of the terms and conditions of the meal program and sharing common management. LMCA purchases, prepares and delivers the food to the School for students that are eligible. The School recorded approximately \$2,225 in food services as a contribution and expense during the year ended June 30, 2017. Additionally, the School has a payable to LMCA of approximately \$99,000 at June 30, 2017. This amount is unsecured, non-interest bearing and due on demand. The payable relates to operational expenses paid by LMCA on behalf of the School for its first year of operation. LMCA contributed approximately \$27,000 to provide funding for the School's operations during the fiscal year ended June 30, 2017.

6. CURRENT VULNERABILITY DUE TO CONCENTRATION

During the year ended June 30, 2017, the School received most of its support from the Osceola School Board and from contributions. It is reasonably possible that in the near term these programs could increase or decrease due to budget modifications 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 any decreases were to occur.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
State FTE revenues	\$ 36,000	\$ 36,000	\$ 16,992	\$ (19,008)
Local grants and others	-	-	1,000	1,000
Contributions	180,000	180,000	194,525	14,525
Total Revenues	<u>216,000</u>	<u>216,000</u>	<u>212,517</u>	<u>(3,483)</u>
EXPENDITURES				
Instruction	23,000	23,000	29,946	6,946
Instruction and curriculum development services	-	-	1,829	1,829
School board	-	-	7,500	7,500
School administration	50,000	50,000	9,306	(40,694)
Food services	-	-	2,225	2,225
Central services	10,000	10,000	24,489	14,489
Student transportation services	300	300	-	(300)
Operation of plant	25,000	25,000	64,847	39,847
Maintenance of plant	50,000	50,000	33,063	(16,937)
Debt service	47,989	47,989	-	(47,989)
Total Expenditures	<u>206,289</u>	<u>206,289</u>	<u>173,205</u>	<u>(33,084)</u>
Change in fund balance	9,711	9,711	39,312	29,601
Fund balances at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ 9,711</u>	<u>\$ 9,711</u>	<u>\$ 39,312</u>	<u>\$ 29,601</u>

See accompanying note to budgetary comparison schedule.

**LINCOLN-MARTI CHARTER SCHOOLS, INC.
OSCEOLA CAMPUS CHARTER SCHOOL
(A Component Unit of the School Board of Osceola County)**

NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

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 year ended June 30, 2017, there were no amendments to the original budget.

The general fund actual revenues were \$212,517 for the year ended June 30, 2017. This is slightly below the budget estimates primarily due to state FTE revenues being less than expected. The actual expenditures of the general fund were \$208,233 for the fiscal year ended June 30, 2017. This is slightly above the budget estimates primarily due to higher than expected operation of plant on the first year of operations.

SUPPLEMENTARY AUDITOR'S 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.
Osceola Campus Charter School
(A Component Unit of the School Board of Osceola County)

We have audited, 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, the financial statements of the governmental activities and major fund, of Lincoln-Marti Charter Schools, Inc. (Osceola Campus Charter School) (the "School") (a Component Unit of the School Board of Osceola County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 30, 2017.

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 the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Miami, Florida
August 30, 2017

**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.
Osceola Campus Charter School
(A Component Unit of the School Board of Osceola County)

Report on the Financial Statements

We have audited the financial statements of Lincoln-Marti Charter Schools, Inc. (Osceola Campus Charter School) (the "School"), (a Component Unit of the School Board of Osceola County), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 30, 2017.

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 Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, which is dated August 30, 2017, and should be considered in conjunction with this management letter.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Lincoln-Marti Charter Schools, Inc. (Osceola Campus Charter School).

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School 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 School 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 School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

To the Board of Directors and Officers of
Lincoln-Marti Charter Schools, Inc.
Osceola Campus Charter School
(A Component Unit of the School Board of Osceola County)
Page Two

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 which 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, Osceola County School Board, 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.

Monison, Brown, Ariz & Fana

Miami, Florida
August 30, 2017