

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
(a nonprofit organization)

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
SPECIAL PURPOSE FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Special Purpose Financial Statements	6-11
COMPLIANCE SECTION:	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	12-13
MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	14-15
SCHEDULE OF PRIOR AUDIT FINDINGS	16
SCHEDULE OF FINDINGS AND RESPONSES	17-19



CABALLERO FIERMAN
LLERENA + GARCIA LLP
accountants | advisors

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of ASPIRA Leadership and College Preparatory Academy (the "School"), a program of ASPIRA of Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the fiscal years then ended, and the related notes to the special purpose financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 School'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 School'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 special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As explained in Note I to the special purpose financial statements, the special purpose financial statements being presented are only for the School referred to above, which is a program of ASPIRA of Florida, Inc. The special purpose financial statements do not include the statements of financial position, activities or cash flows of ASPIRA of Florida, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of ASPIRA of Florida, Inc. as of June 30, 2018 and 2017 or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Also, as explained in Note V to the special purpose financial statements, ASPIRA of Florida, Inc. has had events of default in connection with a loan agreement that have raised substantial doubt about the Organization's ability to continue as a going concern as of October 9, 2018, the date that these special purpose financial statements were available to be published. The special purpose financial statements presented do not include any adjustments that might result from the outcome of this uncertainty as it affects ASPIRA of Florida, Inc. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Coral Gables, Florida
October 9, 2018

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY

A Program of ASPIRA of FLORIDA, INC.

(a nonprofit organization)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 49,139	\$ 69,011
Due from the Miami-Dade County School Board		
-State of Florida Capital Outlay Distribution	-	8,354
Local-FTE receivable	-	9,422
Other Receivables	-	2,922
Due from ASPIRA of Florida, Inc.	-	6,853
Total current assets	<u>49,139</u>	<u>96,562</u>
Capital Assets, Net	<u>316,045</u>	<u>288,349</u>
Total assets	<u>365,184</u>	<u>384,911</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and current liabilities	196,235	-
Due to ASPIRA of Florida, Inc.	<u>105,105</u>	<u>-</u>
Total current liabilities	<u>301,340</u>	<u>-</u>
Compensated absences	<u>19,537</u>	<u>32,963</u>
Total liabilities	<u>320,877</u>	<u>32,963</u>
<u>NET ASSETS</u>		
Net Assets:		
Unrestricted	<u>44,307</u>	<u>351,948</u>
Total net assets	<u>44,307</u>	<u>351,948</u>
Total liabilities and net assets	<u>\$ 365,184</u>	<u>\$ 384,911</u>

See Notes to Special Purpose Financial Statements.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
(A nonprofit organization)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Changes in Unrestricted Net Assets</u>		
Support and revenue:		
Local-FTE	\$ 2,585,682	\$ 2,174,193
Federal and local grants	211,694	366,635
Capital outlay distribution	173,733	110,330
Other support and contributions	<u>36,782</u>	<u>662,179</u>
Total revenues	<u>3,007,891</u>	<u>3,313,337</u>
Expenses:		
Instruction (Teachers)	1,398,325	1,407,275
Pupil personnel services	164,468	118,249
Instructional media service	30,240	60,991
Instructional and curriculum development services	42,063	1,995
Instructional staff training services	-	2,721
School board	2,864	-
General administration	206,622	173,935
School administration	368,995	399,384
Fiscal services	4,725	7,399
Food services	230,150	255,066
Central services	14,270	35,349
Student transportation services	192,040	321,027
Operation of plant	443,201	494,331
Maintenance of the plant	119,248	121,870
Administrative technology services	2,906	-
Depreciation	<u>95,415</u>	<u>74,674</u>
Total expenses	<u>3,315,532</u>	<u>3,474,266</u>
Decrease in unrestricted net assets	(307,641)	(160,929)
Net assets, beginning	<u>351,948</u>	<u>512,877</u>
Net assets, ending	<u>\$ 44,307</u>	<u>\$ 351,948</u>

See Notes to Special Purpose Financial Statements.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
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STATEMENTS OF CASH FLOWS

FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (307,641)	\$ (160,929)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	95,415	74,674
(Increase) decrease in:		
Due from School Board of Miami-Dade County		
-State of Florida Capital Outlay Distribution	8,354	628
-Education Jobs Fund	9,422	(2,342)
Other Receivables	2,922	40,898
Due to/from ASPIRA of Florida, Inc.	111,958	207,792
Increase (decrease) in:		
Accounts payable and accrued expenses	196,235	-
Compensated absences	<u>(13,426)</u>	<u>17,643</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>103,239</u>	<u>178,364</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Capital Assets	<u>(123,111)</u>	<u>(109,353)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(123,111)</u>	<u>(109,353)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>(19,872)</u>	<u>69,011</u>
 BEGINNING CASH AND CASH EQUIVALENTS	<u>69,011</u>	<u>-</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 49,139</u>	<u>\$ 69,011</u>

See Notes to Special Purpose Financial Statements.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ASPIRA Leadership and College Preparatory Academy Charter School (the "School"), is a program of ASPIRA of Florida, Inc. (the "Organization"). The School commenced operation in 2000 and offers classes for kindergarten through eighth grade with an enrollment of 356 for the year ended June 30, 2018. The School is funded from public funds based on enrollment and can also be eligible for grants in accordance with state and federal guidelines, including food service and capital outlay. The School can accept private donations and the Organization can incur debt for the operation of the School.

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

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

On February 9, 2000, the Miami-Dade County School Board approved the application submitted by the Board of Directors of ASPIRA of Florida, Inc. for the creation of the ASPIRA South Youth Leadership Charter School (formerly known as the ASPIRA Youth Leadership Charter School). During 2015, the School changed its name from ASPIRA South Youth Leadership Charter School to ASPIRA Youth Leadership and College Preparatory Academy. The School is owned and operated by the Organization, is a program of the Organization and is not a separate legal entity or otherwise organized apart from the Organization. In accordance with Chapter 10.850, *Rules of the Auditor General of the State of Florida*, the School is required to prepare special purpose financial statements. Section 10.855(4) states that the special purpose financial statements should present the charter school's financial position including the charter school's current and capital assets and current and long-term liabilities, and net assets; and the changes in financial position. The financial statements contained herein present only the operations of the School and do not purport to, and do not, present the financial position and changes in financial position of the Organization. Only capital assets acquired with School revenues are reported. The facility used by the School is owned by the Organization and the capital assets and related debt for the facilities are not included in this report.

The School operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the "School Board"). The School's charter was approved by the Board of Directors on May 18, 2000 and is effective until June 30, 2020. The charter was renewed for up to an additional five (5) years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least 90 days prior to the charter's termination. Pursuant to Section 228.056(11)(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.

Enrollment and Grade Configuration

<u>Schools Name and Addresses</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>Interim School Principal</u>
ASPIRA Leadership and College Preparatory Academy 13330 SW 288 Street, Leisure City, FL 33033	6060	K, 1 st , 2 nd , 6 th , 7 th , and 8 th	356	Jose Rodriguez

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governance Structure

The Board of Directors of ASPIRA of Florida, Inc. governs the School through the School's Advisory Council (governing board). The Board of Directors of ASPIRA of Florida, Inc. consists of the following members:

Dr. Ruth Pacheco, PhD	Chairperson
Fernando Asencio	Vice-Chair of Programs and Planning
Irene Rivera Royston, MS Ed	Secretary
Fernando J. Ortiz, CPA, MBA	Treasurer
Elizabeth Sanjenis, MBA	Vice-Chair of Fundraising
Miream Sierra	President and CEO (Non-voting member)

Financial Statement Presentation

For financial reporting purposes, ASPIRA Leadership and College Preparatory Academy is a program of ASPIRA of Florida, Inc. and is included as a program within the Organization's annual financial statements.

Promises to Give

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

The School uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no promises to give as of June 30, 2018 and 2017.

Restricted and Unrestricted Revenue

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Funds provided by the School Board through the State's Charter School Capital Outlay Funding pursuant to Section 228.0561 of the Florida Statutes are recorded as temporarily restricted support until the Organization submits a Capital Outlay Plan to the School Board and the School Board accepts the Capital Outlay Plan and releases the funds.

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

Cash and Cash Equivalents

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

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
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(a nonprofit organization)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Due To/From ASPIRA of Florida, Inc.

The School is accounted for as a program of ASPIRA of Florida, Inc. and separate bank accounts are maintained for each school. Due To/From accounts are debited or credited for amounts owed to or due from the School or ASPIRA of Florida, Inc. The balance at June 30, 2018 was \$105,105 due to ASPIRA of Florida, Inc.

Compensated Absences

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

Revenue Sources

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

Income Taxes

The Organization, and therefore the School, is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public supported organization. It is subject to tax on income from any unrelated business income. There was no unrelated business income for the years ended June 30, 2018 or 2017.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2018 and 2017.

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

II. TEMPORARILY RESTRICTED NET ASSETS

Capital Outlay Funds

During 2018 and 2017, the School Board received an additional \$182,087 and \$110,958, respectively, of Section 228.0561, F.S., Charter Schools Capital Outlay Funding from the State on behalf of the School. The funds have been deposited with the School Board and will be distributed once the School incurs expenses in accordance with approved Capital Outlay Plans by the School Board and follow other guidelines developed by the Florida Department of Education. As of June 30, 2018 and 2017, the School has recorded a receivable from the School Board of \$0 and \$8,354, respectively. In 2018 and 2017, The School released \$173,733 and \$101,976, respectively, from restrictions by incurring expenses in accordance with approved Capital Outlay Plans.

III. CAPITAL ASSETS

Capital assets consist of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Buildings and building improvements	\$ 126,284	\$ 126,284
Leasehold improvements	85,316	48,191
Furniture and equipment	438,442	391,026
Textbooks	<u>288,123</u>	<u>249,554</u>
	938,165	815,055
Less: Accumulated depreciation	<u>(622,120)</u>	<u>(526,706)</u>
	<u>\$ 316,045</u>	<u>\$ 288,349</u>

Depreciation expense for the fiscal years ended June 30, 2018 and 2017 was \$95,415 and \$74,674, respectively.

IV. 403 (b) THRIFT RETIREMENT PLAN

Effective July 1, 1997, the Organization established a 403 (b) Thrift Retirement Plan (the "Plan") created in accordance with Internal Revenue Service Code Section 403(b) for all full-time employees of the Organization. Employees of the School are eligible to participate in the Plan. There is no minimum age or service requirements to contribute to the Plan and employees may contribute up to the maximum percentage allowable not to exceed annual limits established in the Internal Revenue Code. Employer contributions equal 100% of the first 2% of the participants' gross salary. To be eligible for employer contributions, the participant must be at least 21 years of age and have provided one year of service. Employer contributions are 100% vested upon the participant's 65th birthday, or if earlier, upon completion of a three-year vesting period. As of June 30, 2018 and 2017, there were 16 and 14 employees from the School participating in the Plan, respectively. For the fiscal year ended June 30, 2018 and 2017, the School contributed approximately \$8,740 and \$7,740 to the Plan, respectively.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
(a nonprofit organization)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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

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

V. RELATED PARTY TRANSACTIONS

School Facilities Lease

The School's operations are located at a facility that is owned by the Organization. In December 2016, the Miami-Dade County Industrial Development Authority issued the Miami-Dade County Industrial Development Revenue Bonds (ASPIRA of Florida Project), Series 2016A in the aggregate principal amount of \$19,975,000 and the Miami-Dade County Industrial Development Revenue Bonds (ASPIRA of Florida Project), Series 2016B (Taxable) in the aggregate principal amount of \$2,155,000 (collectively referred to as "Series 2016 Bonds"). The proceeds of the Series 2016 Bonds were utilized for the purposes of (1) refinancing all outstanding debt including the ASPIRA RAM Loan, ASPIRA LCPA Loan, and two lines of credit; (2) acquiring the NMTC Note related to ASPIRA Properties; (3) paying off the interest rate swaps of the Organization; and (4) acquiring land for parking at ASPIRA DECO school.

The Series 2016 Bonds calls for principal and interest payments starting on January 2017 through October 2051. The principal is to be deposited in a sinking fund for the defeasance of the Series 2016 Bonds upon the various maturity dates. The interest ranges from 5.75% to 6.625%. The Organization pledged all revenues received from the Charter Schools contracts (see Note VI).

The School is leasing its premises from the Organization under an operating lease agreement beginning in 2010 with the Organization. The lease called for monthly rental payments of \$22,000 per month starting on July 1, 2010 through June 30, 2018. The School also has three ten year renewal options. Effective July 1, 2018, the Organization Board of Directors voted to amend the lease to comply with the bond debt service schedule, which was made a part of the bond when issued. The debt service schedule is based on the student enrollment as determined in October of each year.

Rent expense paid to ASPIRA of Florida, Inc. under this lease totaled approximately \$264,000 for 2018 and 2017 and is included under "Operation of Plant" in the statement of activities.

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

<u>June 30,</u> 2019	\$ 441,516
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ASPIRA of Florida, Inc. Defaults and Events of Default

As of June 30, 2018 and subsequent to year end, ASPIRA of Florida, Inc. has had events of default under its loan agreement. Zions Bank, a division of ZB, National Association (the "Trustee") and the holders of a majority in aggregate principal amount (the "Majority Holders") of the Miami-Dade County Industrial Development Authority \$24,700,000 Industrial Development Revenue Bonds (ASPIRA of Florida Project), Series 2016A and 2016B (the "Bonds") are aware that the default has occurred and are continuing under the Loan Agreement relating to the Bonds.

The Trustee, at the direction of the Majority Holders, entered into a forbearance agreement with the Borrowers dated as of July 12, 2018 (the "Forbearance Agreement") pursuant to which the Trustee agreed to forbear from exercising its rights and remedies as a result of certain enumerated defaults and Events of Default. The Forbearance Agreement expired by its terms on August 31, 2018. The Trustee and the Majority Holders are also aware that the Organization has failed to meet its required Debt Service Coverage Ratio for the Fiscal Year ended June 30, 2018, which failure also constitutes an Event of Default under the Loan Agreement.

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A Program of ASPIRA OF FLORIDA, INC.
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

V. RELATED PARTY TRANSACTIONS (Continued)

ASPIRA of Florida, Inc. Defaults and Events of Default (Continued)

As of the date of these financial statements, the Trustee and Majority Holders are in discussion to address those ongoing defaults and events of default. The matters in default have raised substantial doubt about the Organization's ability to continue as a going concern for the Organization as of October 9, 2018, the date that these special purpose financial statements were available to be published. Per management's discussions with the Trustee, all parties are expected to come to a resolution allowing the Organization to continue under the loan agreement.

VI. COMMITMENTS AND CONTINGENCIES

Grants

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

Revenue Bond Pledged Revenue

As described in more detail in Note V, on December 15, 2016, ASPIRA of Florida, Inc. and one of its affiliates entered into an agreement with the Miami Dade County Industrial Development Authority, which provided for the issuance of \$21,485,000 2016 Series A revenue bonds and \$3,215,000 in Series B revenue bonds for a total of \$24,610,000 in Series 2016 A-B revenue bonds.

The debt related to the revenue bonds is secured by revenues pledged by all revenue sources, including revenues from the three charter schools that ASPIRA of Florida, Inc. operates, as well as any and all other interests in real or personal property, including all related additions.

The amounts are due in monthly installments ranging from approximately \$140,000 to \$160,000 at interest rates ranging from 5.75% to 6.625% and maturity dates ranging from November 1, 2027 to November 1, 2051. The total principal outstanding as of June 30, 2018 was approximately \$24,515,000. This amount is included in the complete ASPIRA of Florida, Inc. financial statements. For further details see Note V. and the full ASPIRA of Florida, Inc. financial statements.

VII. RISK MANAGEMENT

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

VIII. MANAGEMENT FEE

Pursuant to the Charter School contract with the School Board, the School Board is paid a management fee of 5% of the qualifying revenues of the School. For the fiscal years ended June 30, 2018 and 2017, management fees paid to the School Board amounted to \$93,249 and \$89,993; respectively.

IX. SUBSEQUENT EVENTS

Management evaluated subsequent events through October 9, 2018 the date that the special purpose financial statements were available to be published. Except as described in Note V, no events were identified during this review of subsequent events that required adjustment to or disclosure within these special purpose financial statements.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
A Program of ASPIRA OF FLORIDA, INC.
(a nonprofit organization)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of the ASPIRA Leadership and College Preparatory Academy (the "School"), a program of ASPIRA of Florida, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 2018, and the related notes to the special purpose financial statements, which collectively comprise the School's special purpose financial statements, and have issued our report thereon dated October 9, 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-01 and 2018-02 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-01 and 2018-04.

School's Responses to the Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Coral Gables, Florida
October 9, 2018



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

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

Report on the Financial Statements

We have audited the special purpose financial statements of the ASPIRA Leadership and College Preparatory Academy (the "School"), a program of ASPIRA of Florida, Inc., as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 9, 2018.

Auditors' 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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 *Governmental Auditing Standards* and the schedule of findings and responses. Disclosures in that report and schedule, which are dated October 9, 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. In connection with the preceding annual financial audit report, the School was determined to have met one of the conditions described in Section 218.503(1), Florida Statutes. Specifically, the condition met was failure to transfer at the appropriate time due to lack of funds taxes withheld on the income of employees and employer and employee contributions for social security as described in item 2017-01. The item remains uncorrected and is included in the accompanying schedule of findings and responses.

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 ASPIRA Leadership and College Preparatory Academy, a program of ASPIRA of Florida, Inc.

Financial Condition and Management

Sections 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 School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School met one of the conditions described in Section 218.503(1), Florida Statutes. The condition in the preceding annual financial report is again reported as the School failed to transfer at the appropriate time due to lack of funds for taxes withheld on the income of employees and employer and employee contributions for social security as described in item 2017-01 in the attached schedule of findings and responses.

Financial Condition and Management (Continued)

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. A deteriorating financial condition was detected and reported in item 2018-05 in the accompanying schedule of findings and responses.

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

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 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.

Additional Matters

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, the Board of Directors, management of ASPIRA of Florida, Inc., and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Coral Gables, Florida
October 9, 2018

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
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SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MATERIAL NONCOMPLIANCE

2017-01 Late Remittance of Employees' Withholding and Employer's Taxes

Criteria:

Employers must deposit federal income tax withheld and both the employer and employee social security and Medicare taxes to the Internal Revenue Service (IRS) when due.

Prior audit reported condition:

The ASPIRA of Florida, Inc. (the Organization) was late in depositing the federal income taxes withheld and the employer and employee social security and Medicare taxes to the IRS for the following quarters: September 2016, December 2016, March 2017, and December 2017.

Cause:

The Organization did not receive the corresponding earned funds on time due to fluctuations in the Organization's management causing them to delay payment.

Effect:

The Organization has been assessed penalties and interest by the IRS.

Recommendation:

We recommend that the Organization develop ways to manage its cash flow and include additional controls in payroll processing so that they are able to remain in compliance with payroll tax requirements.

Prior audit views of responsible officials and planned corrective action:

There was a lot of management turnover in the latter half of the fiscal year June 30, 2017. The Board appointed an Interim President and CEO in July 2017. As of January 2018, a new President and CEO was appointed and in February 2018, new finance personnel. As of the first quarter of 2018, updated budgets and cash flow procedures have been implemented and no late remittances of employee and employer taxes has occurred.

Current Status

The Organization was late in depositing the federal income taxes and the employer and employee social security and Medicare taxes to the IRS for the quarter of March 2018.

Current audit views of responsible officials and planned corrective action:

The Organization had bank accounts totals of \$405,290 as of September 30, 2016, yet taxes were paid late. Bank accounts showed a balance of \$275,267 as of December 31, 2016, but taxes were paid late, again. Bank accounts had over \$1,000,000 in March 2017, and again taxes due were never transferred to the payroll account to pay taxes in a timely fashion. This continued for taxes due in December 2017, when bank accounts totaled \$245,000 and again, for the quarter ending March 2018. To address the late payment of taxes, the Organization has implemented the transfer of funds to the correct account after the payroll submission, following QuickBooks files notifications. In addition, ADP and Building Hope are monitoring deadlines to ensure the process for filing tax payments are forms happen in a timely fashion.

ASPIRA LEADERSHIP AND COLLEGE PREPARATORY ACADEMY
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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MATERIAL WEAKNESSES

2018-01 Absent or Inadequate Segregation of Duties Within a Significant Account or Process

Criteria:

Proper segregation of duties is a requirement for proper internal control structure and effectively establishing an environment with a reduced susceptibility to fraud or error.

Condition:

During the review of internal controls and remaining performance of the financial audit completed, it was noted that ASPIRA of Florida, Inc. (the "Organization") lacks sufficient personnel at the management level and staff in key positions to successfully implement controls and present an environment with sufficient segregation of duties to mitigate and prevent possible fraudulent activities and misuse of funds.

Cause:

The Organization has had significant turnover leading to the elimination of the financial positions/personnel and key management personnel. The Organization is relying on a minimal staff presence to accomplish the day to day operations.

Effect:

There is the potential for the misuse of funds, abuse of management personnel, and theft of financial resources by personnel. In addition, the Organization is lacking in sufficient oversight for several significant transaction class functions that impact the schools directly.

Recommendation:

We recommend filling vacated positions and sufficiently staffing the organization to establish controls and achieve segregation of duties at different levels of processes to ensure accurate financial reporting and use of funds.

Views of responsible officials and planned corrective action:

In July 2018, the Organization contracted a charter schools back-office consultant, Building Hope, to establish new operations and procedures. The goal is to ensure all financial obligations are met on a timely basis. Management also began to transfer all in-house payroll functions to ADP. The financial records transferred to Building Hope will be separated for the School onto a separate online QuickBooks files. This will also allow for online access by all interested parties and immediate reporting of monthly financials. They also track the approval process and ensure timely reconciliations and immediate review of all transfers and journal entries. Weekly conference calls with the stakeholders and monthly Board of Directors meetings will track progress, address issues, and ensure accurate and timely review and response to financial status. In addition, Minutes of the Board of Directors meetings are uploaded to Charter Tools for further transparency.

2018-02 Lack of a Formal Budget Process

Criteria:

Proper preparation and review of annual budgets is required to maintain the Organization appropriately staff and serviced throughout the year contingent on enrollment figures.

Condition:

The Organization failed to develop budgets for the ASPIRA Raul Arnaldo Martinez Charter School (the "School") adjusted for anticipated enrollment and additional funding available. As a result, no changes to staffing or levels of expenditures were reviewed for impacts to the fiscal year leading to significant losses and shortfalls experienced.

Cause:

Management of the Organization negated the budget process and utilized prior year budget as a continuation into the period. The Organization was not able to preemptively organize the schools and manage costs to fall in line with charter school revenues.

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(a nonprofit organization)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-02 Lack of a Formal Budget Process (Continued)

Effect:

Lack of budgeting left the Organization vulnerable to mis-management and excess or lack of staffing as a result.

Recommendation:

We recommend having a detailed and thorough budget process to understand the implications of costs incurred against the enrollment figures considered reasonable for the fiscal year which can, in turn, be reviewed and approved by the Charter School's Board.

Views of responsible officials and planned corrective action:

By the beginning of the 2018-2019 academic year, a budget for the School was established. Monthly payments due to the bond began again in September 2018.

Management worked with the School Principal to establish a budget that aligns with other schools' operations of similar enrollment size. Working with the Principal on the budget process ensured that resources necessary for fulfilling the Mission of educational excellence was not compromised. A workshop conducted by Building Hope for the Principal to better understand line by line budget items was held, and a revised budget developed based on the new year enrollment.

SIGNIFICANT DEFICIENCY

2018-03 Lack of Review and Approval for Reconciliations and Journal Entries

Criteria:

Reconciliations, journal entries, and processes require review and documented approval is an important component of an internal control system.

Condition:

Processes in significant transaction classes are performed by a minimal staff compliment where a lack of review and oversight exists.

Cause:

The Organization incurred turnover in management and accounting personnel. Positions remain unfilled for the period.

Effect:

There is the potential for the misappropriation of funds which can contribute to the overstatement/understatement of account balances and promote an environment susceptible to fraudulent activity.

Recommendation:

We recommend that the Organization properly staff the significant transaction process and provide management oversight including the review and documented approval of actions including, but not limited to, bank reconciliations and journal entries.

Views of responsible officials and planned corrective action:

In July 2018, the Organization contracted a charter schools back-office consultant, Building Hope, to establish new operations and procedures. The goal is to ensure all financial obligations are met on a timely basis. Management also began to transfer all in-house payroll functions to ADP. The financial records transferred to Building Hope will be separated for the School onto a separate online QuickBooks files. This will also allow for online access by all interested parties and immediate reporting of monthly financials. They also track the approval process and ensure timely reconciliations and immediate review of all transfers and journal entries. Weekly conference calls with the stakeholders and monthly Board of Directors meetings will track progress, address issues, and ensure accurate and timely review and response to financial status. In addition, Minutes of the Board of Directors meetings are uploaded to Charter Tools for further transparency.

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(a nonprofit organization)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MATERIAL NONCOMPLIANCE

2018-04 Failure to provide an audit by the deadline established by the District sponsoring the Charter

Criteria:

Audited financial statements are required to be submitted timely to the sponsoring District.

Condition:

Delays in the completion and issuance of the audited financial statements resulted in the School missing the deadline for submission allowed by the sponsoring District.

Cause:

The Organization encountered financial difficulties and changes to management causing delays in the commencement of the audit process.

Effect:

As stated in the Charter Contract with the District, *"The School shall submit all required financial statements to the Sponsor in the timeline and format prescribed by the Sponsor and/or state. Failure of the School to comply with the timely submission of all financial statements in the required format specified by the Sponsor and State shall constitute a material breach of this Contract. Where such breach continues after written notice from Sponsor, it may result in the Sponsor's withholding of subsequent payments to the School without penalty of interest until cured and/or termination of this Contract."* The School was notified that disbursements will be withheld until such time as the School comes into compliance with submission requirements.

Recommendation:

We recommend the School review the closing processes and review staffing demands to ensure the audited financial statements are presented timely in the following fiscal year.

Views of responsible officials and planned corrective action:

The Organization faced many challenges at each level during the 2017-2108 year. In response, the new President and CEO, along with the new Board of Directors met multiple times or kept in constant communication with all the stakeholders: Miami-Dade County Public Schools (M-DCPS), bondholders, Florida Department of Education (FDOE), and School leadership. In addition to contracting a consultant with expertise in back-office operations, they are working with M-DCPS to develop a Financial Corrective Action Plan as required following the series of events described above, for submission to the FDOE. The Plan, along with new back-office operations and a culture of transparency will ensure that audit reports and all compliance matters are met in a timely fashion.

OTHER

2018-05 Deteriorating Financial Condition

Criteria:

Operations resulting in consecutive net losses from year to year yield concerns of deteriorating financial condition.

Condition:

We detected a deteriorating financial condition through the assessment performed highlighting consecutive net losses incurred by the School. The School has recorded net losses for the fiscal years 2015, 2016, 2017, and 2018 of \$151,932, \$70,078, \$160,929, \$307,641, respectively. A continuing net loss into the next fiscal year will result in a deficit net asset balance and further place the School into financial distress.

Cause:

The School has incurred expenditures greater than the revenues obtained for the current and prior fiscal years by which enrollment and grants have not sustained the costs incurred to run the operation.

Effect:

Further decline in the net asset balance as a result of net losses will cause the balance to enter a deficit balance.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-05 Deteriorating Financial Condition (Continued)

Recommendation:

We recommend that the Organization implement fiscal policies and evaluate staffing and needs of the school based on current enrollment. As indicated in item 2018-02, implementation of a formal budget process will also assist the School in identifying enrollment driven revenues and outline costs to understand excess.

Views of responsible officials and planned corrective action:

In July 2018, the Organization contracted a charter schools back-office consultant, Building Hope, to establish new operations and procedures. The financial records transferred to Building Hope will be separated for the School onto a separate online QuickBooks file. This will also allow for online access by all interested parties and immediate reporting of monthly financials. They also track the approval process and ensure timely reconciliations and immediate review of all transfers and journal entries. Weekly conference calls with the stakeholders and monthly Board of Directors meetings will track progress, address issues, and ensure accurate and timely review and response to financial status. In addition, Minutes of the Board of Directors meetings are uploaded to Charter Tools for further transparency.

In addition, the School was not awarded any Food and Nutrition services funding from the State Department of Agriculture, which the Organization historically projects as a major source of revenue. The great majority of the School's students receive free or reduced breakfast, lunch and snacks. For the 2017-2018 academic year, a former vendor filed a protest against the bidding process used to award the contract. Although the process and the new vendor awarded the contract were approved by the State, the protest put a hold on the reimbursement of funds. After many attempts to resolve this matter, including legal counsel, in June 2018 the State denied the last appeal for reimbursement. This unforeseen situation caused an unexpected loss in revenue to the Organization of almost 1 million dollars. This matter has been resolved for the 2018 - 2019 year and the first reimbursement for Food and Nutrition services was received in September 2018.

Even under challenging financial situations during the 2017-2018 academic year, the School increased a grade as per State of Florida standards for the second consecutive year, earning the "A" grade. The School has a waiting list of close to 100 students, but is limited by the capacity of its facilities. Management is working with the Principal and Building Hope to find ways to contain expenses while discussions with Bondholders and other interested parties continue regarding options for increasing the capacity thereby increasing enrollment and revenue.

The Organization expects to continue on a path of financial recovery with complete transparency, with the support of its Bondholders, in compliance with the Financial Corrective Action Plan as sponsored by M-DCPS and approved by the FDOE, and fulfilling the requirements of all stakeholders, including the M-DCPS Charter Agreements. It also expects to continue to increase academic achievement and looks forward to upholding the motto of "Leadership through Education" as it serves the almost 2,000 Aspirantes (students of the ASPIRA Charter Schools and Youth Leadership Development programs) and their families across the tri-county area.