

**THE LEARNING
ACADEMY, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2014**

BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	25
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	26
Note to Required Supplemental Information	27
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>	28
MANAGEMENT LETTER	30
FINDINGS, RECOMMENDATIONS, OR OTHER MATTERS	32

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Learning Academy, Inc.
Milton, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate fund information of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate fund information of the School, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2014, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 13, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of The Learning Academy, Inc. (the "School"), which is a component unit of the Santa Rosa County School District, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found on page 8.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$357,973 (net position).
- The School's total net position increased by \$90,716.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$122,011.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$107,762.

Overview of the Financial Statements

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

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 of 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 funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Santa Rosa County School District, Florida. The Santa Rosa County School District, Florida includes the operations of the School in their operational results.

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

Fund financial statements. A fund is a collection of related accounts grouped together 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. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and note to these schedules have been provided to demonstrate compliance with this budget and can be found on pages 25 through 27 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2014 and 2013, assets exceeded liabilities by \$357,973 and \$267,257, respectively.

The largest portion of the School's net position reflects its investment in capital assets (e.g., land, improvements other than buildings, furniture, fixtures and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets, net of related debt totaled \$235,962 at June 30, 2014.

Comparison of the condensed statement of net position and the statement of activities are provided below.

The Learning Academy, Inc. Statement of Net Position

	Governmental Activities		
	2014	2013	Variance
ASSETS			
Current assets	\$ 136,647	\$ 71,844	\$ 64,803
Capital assets - net	247,117	255,854	(8,737)
Total assets	<u>383,764</u>	<u>327,698</u>	<u>56,066</u>
LIABILITIES			
Current liabilities	14,636	27,538	(12,902)
Noncurrent liabilities	11,155	32,903	(21,748)
Total liabilities	<u>25,791</u>	<u>60,441</u>	<u>(34,650)</u>
NET POSITION			
Net Investment in capital assets	235,962	222,951	13,011
Restricted	7,601	10,340	(2,739)
Unrestricted	114,410	33,966	80,444
Total net position	<u>\$ 357,973</u>	<u>\$ 267,257</u>	<u>\$ 90,716</u>

Total assets increased as a result of the increase in the School's cash balance due to the timing of cash inflows and outflows. The payment of amounts due to other agencies caused a decrease in the current liabilities and the noncurrent liabilities decreased because of long-term debt principal payments.

The Learning Academy, Inc.
Statement of Activities

	Governmental Activities		
	2014	2013	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 52,437	\$ 42,261	\$ 10,176
Capital grants and contributions	2,312	2,312	-
General revenues:			
Federal through state	190,693	-	190,693
State passed through local school district	656,987	705,607	(48,620)
Other revenues	15,110	1,298	13,812
Total revenues	<u>917,539</u>	<u>751,478</u>	<u>166,061</u>
Expenses:			
Basic instruction	316,700	270,329	46,371
Exceptional instruction	609	6,820	(6,211)
Curriculum development	15,000	15,000	-
Staff development	10,898	1,100	9,798
Board of directors	5,793	6,825	(1,032)
School administration	174,549	147,690	26,859
Fiscal services	61,731	59,223	2,508
Food services	113	17,919	(17,806)
Staff services	50,382	46,800	3,582
Transportation	63,281	77,154	(13,873)
Operation of plant	111,006	86,992	24,014
Administrative technology	14,449	-	14,449
Interest on note payable	2,312	4,373	(2,061)
Total expenses	<u>826,823</u>	<u>740,225</u>	<u>86,598</u>
Change in net position	90,716	11,253	79,463
Net position - beginning	<u>267,257</u>	<u>256,004</u>	<u>11,253</u>
Net position - ending	<u><u>\$ 357,973</u></u>	<u><u>\$ 267,257</u></u>	<u><u>\$ 90,716</u></u>

In current year revenues increased due to increase to federal passed through state revenue. Basic instruction increased due to adding new positions in the current year and an increase in other professional services expense. The school administration increased due to hiring the School's director position that was a contracted position in the previous year. The changes in the staff development, administrative technology, and operation of plant are related to an increase in personnel expenses.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the School's governmental funds 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 School's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$122,011.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$107,762.

During the current fiscal year, the fund balance of the School's general fund increased by \$80,444.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted revenues by \$161,167. The budgeted expenditures exceeded the actual expenditures by \$24,011.

The budgetary information can be found on pages 25 through 27 of this report.

Capital Asset and Debt Administration

Capital Assets. The School's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$247,117. This investment in capital assets includes buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term liabilities at June 30, 2014 totaled \$11,155, a decrease of \$21,748 from 2013. Additional information on the School's long-term obligations can be found in Note D.

Request for Information

This financial report is designed to provide a general overview of The Learning Academy, Inc.'s finances for those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 101-A Business Centre, Miramar Beach, FL 32550.

The Learning Academy, Inc.

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 124,102
Prepaid expenses	6,648
Due from other agencies	<u>5,897</u>
Total current assets	<u>136,647</u>
CAPITAL ASSETS	
Capital assets not being depreciated:	
Land	185,000
Capital assets, net of accumulated depreciation:	
Improvements other than buildings	56,324
Furniture, fixtures and equipment	<u>5,793</u>
Total capital assets, net	<u>247,117</u>
Total assets	<u>383,764</u>
LIABILITIES	
Accounts payable	7,436
Accrued payroll liabilities	7,200
Noncurrent liabilities:	
Due within one year	<u>11,155</u>
Total liabilities	<u>25,791</u>
NET POSITION	
Net investment in capital assets	235,962
Restricted for:	
Capital outlay	7,601
Unrestricted	<u>114,410</u>
Total net position	<u>\$ 357,973</u>

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

The Learning Academy, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Basic instruction	\$ 316,700	\$ -	\$ 167,124	\$ -
Exceptional instruction	609	-	-	-
Psychological services	-	-	23,569	-
Curriculum development	15,000	-	-	-
Staff development	10,898	-	-	-
Board of directors	5,793	-	-	-
School administration	174,549	-	-	-
Fiscal services	61,731	-	-	-
Food services	113	-	-	-
Staff services	50,382	-	-	-
Transportation	63,281	-	-	-
Operation of plant	111,006	-	54,749	-
Administrative technology	14,449	-	-	-
Interest on note payable	2,312	-	-	-
Total governmental activities	<u>\$ 826,823</u>	<u>\$ -</u>	<u>\$ 245,442</u>	<u>\$ -</u>
			General revenues:	
			State passed through local school district	656,987
			Other revenues	15,110
			Total general revenues	<u>672,097</u>
			Change in net position	90,716
			Net position at July 1, 2013	<u>267,257</u>
			Net position at June 30, 2014	<u>\$ 357,973</u>

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

The Learning Academy, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 124,102	\$ -	\$ -	\$ 124,102
Prepaid expenses	6,648	-	-	6,648
Due from other funds	-	7,601	-	7,601
Due from other agencies	5,897	-	-	5,897
Total assets	<u>\$ 136,647</u>	<u>\$ 7,601</u>	<u>\$ -</u>	<u>\$ 144,248</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,436	\$ -	\$ -	\$ 7,436
Accrued payroll liabilities	7,200	-	-	7,200
Due to other funds	7,601	-	-	7,601
Total liabilities	<u>22,237</u>	<u>-</u>	<u>-</u>	<u>22,237</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	6,648	-	-	6,648
Restricted	-	7,601	-	7,601
Unassigned	107,762	-	-	107,762
Total fund balances	<u>114,410</u>	<u>7,601</u>	<u>-</u>	<u>122,011</u>
Total liabilities and fund balances	<u>\$ 136,647</u>	<u>\$ 7,601</u>	<u>\$ -</u>	<u>\$ 144,248</u>

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

The Learning Academy, Inc.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2014

Fund balances - total governmental funds \$ 122,011

The 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 governmental funds. Those assets consist of:

Land	\$ 185,000	
Improvements other than buildings, net	56,324	
Furniture, fixtures and equipment, net	<u>5,793</u>	
Total capital assets		247,117

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Note payable	<u>(11,155)</u>
--------------	-----------------

Total net position of governmental activities	<u>\$ 357,973</u>
---	-------------------

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

The Learning Academy, Inc.

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

For the year ended June 30, 2014

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ 167,124	\$ -	\$ -	\$ 167,124
State passed through local school district	656,987	54,749	-	711,736
Santa Rosa program	-	-	23,569	23,569
Other revenues	15,110	-	-	15,110
Total revenues	<u>839,221</u>	<u>54,749</u>	<u>23,569</u>	<u>917,539</u>
Expenditures				
Current				
Basic instruction	304,647	-	9,750	314,397
Exceptional instruction	609	-	-	609
Curriculum development	15,000	-	-	15,000
Staff development	8,973	-	1,925	10,898
Board of directors	5,793	-	-	5,793
School administration	165,252	-	9,297	174,549
Administrative technology	14,449	-	-	14,449
Fiscal services	61,731	-	-	61,731
Food services	113	-	-	113
Staff services	50,382	-	-	50,382
Transportation	62,849	-	-	62,849
Operation of plant	66,392	22,878	2,597	91,867
Fixed capital outlay	2,587	10,550	-	13,137
Debt service				
Principal	-	21,748	-	21,748
Interest	-	2,312	-	2,312
Total expenditures	<u>758,777</u>	<u>57,488</u>	<u>23,569</u>	<u>839,834</u>
Net change in fund balances	80,444	(2,739)	-	77,705
Fund balances at July 1, 2013	33,966	10,340	-	44,306
Fund balances at June 30, 2014	<u>\$ 114,410</u>	<u>\$ 7,601</u>	<u>\$ -</u>	<u>\$ 122,011</u>

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

The Learning Academy, Inc.

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

For the year ended June 30, 2014

Net change in fund balances - total government funds \$ 77,705

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Fixed capital outlay additions	\$ 13,137	
Depreciation	<u>(21,874)</u>	(8,737)

The issuance of long-term debt (e.g., note payable) provides current
financial resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial resources of
governmental funds. However, neither transactions has any effect on net
position. This amount is the net effect of these differences in the treatment
of long-term debt.

Principal payment of note payable	<u>21,748</u>
Change in net position of governmental activities	<u>\$ 90,716</u>

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

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Learning Academy, Inc. (the "School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides educational services to students of grades 6 - 12. The governing body of the School is the Board of Directors, which is composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the Santa Rosa County School District, Florida (the "District"). The current charter is effective through June 30, 2024. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the Santa Rosa County School District, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - is the general operating fund of the School and is used to account for all resources not required to be accounted for in another fund.

Capital Outlay Fund - is a special revenue fund used in accordance with guidelines established by the Santa Rosa County School District, Florida, this fund accounts for all resources for the construction or acquisition of capital facilities and assets.

4. Cash

Cash consists of petty cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's management reviews receivables at June 30, 2014, and determined that the balance was considered fully collectible; therefore, no allowance for doubtful accounts has been provided.

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the General Fund owed the Capital Outlay Fund \$7,601.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	9
Improvements other than buildings	5 - 15
Furniture, fixtures and equipment	5 - 10
Vehicles	3 - 7

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

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

9. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE 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 actual weighted FTE students reported by the School during designated FTE student survey periods.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Revenue sources (continued)

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

10. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2011.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not spendable (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The bank balance of the School's deposits were \$125,006 at June 30, 2014. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes.

NOTE C - CAPITAL ASSETS

Changes in capital asset activity was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Capital assets depreciated:				
Buildings	1,100	\$ -	\$ -	1,100
Improvements other than buildings	267,386	10,550	-	277,936
Furniture, fixtures and equipment	48,270	2,587	4,393	46,464
Vehicles	8,735	-	-	8,735
Total assets depreciated	325,491	\$ 13,137	\$ 4,393	334,235
Less accumulated depreciation:				
Buildings	1,100	\$ -	\$ -	1,100
Improvements other than buildings	201,175	20,437	-	221,612
Furniture, fixtures and equipment	43,627	1,437	4,393	40,671
Vehicles	8,735	-	-	8,735
Total accumulated depreciation	254,637	\$ 21,874	\$ 4,393	272,118
Total governmental activities capital assets, net	<u>\$ 255,854</u>			<u>\$ 247,117</u>

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense was charged for the year ended June 30, 2014 to functions of the School as follows:

Operation of plant	\$ 19,139
Transportation	432
Basic instruction	<u>2,303</u>
Total depreciation	<u>\$ 21,874</u>

NOTE D - LONG-TERM LIABILITIES

1. Changes in long-term liabilities

Changes in long-term liabilities were as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due within one year
Note payable	<u>\$ 32,903</u>	<u>\$ -</u>	<u>\$ 21,748</u>	<u>\$ 11,155</u>	<u>\$ 11,155</u>

2. Note payable

The School entered into a note payable on April 24, 2000 with a third party to purchase land. The note payable is due in monthly installments of \$2,005, including 10% interest through November 2014, and is collateralized by the land. Current year principal and interest payments were \$21,748 and \$2,312, respectively.

The following is a schedule of future lease payments for the year ended June 30, 2015:

	Principal	Interest	Total
2015	<u>\$ 11,155</u>	<u>\$ 304</u>	<u>\$ 11,459</u>

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - CONCENTRATIONS

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the local school district. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
School Board of Santa Rosa County, Florida	
Base funding	\$ 360,187
Supplemental academic instruction	112,442
Class size reduction	98,910
Interim funding	152,023
Student transportation	39,390
ESE guaranteed allocation	33,493
Discretionary millage	22,044
Discretionary equalization allocation	13,941
Instructional materials allocation	7,230
Safe schools	1,446
Lead	1,590
Teacher salary increase	15,101
Discretionary lottery	890
Administration fee withheld (5%)	(34,576)
Subtotal	824,111
Capital outlay	54,749
Title 1	23,569
Total from School Board of Santa Rosa County School District, Florida	902,429
Other revenues	
Miscellaneous revenue	15,110
Total revenues	<u>\$ 917,539</u>

NOTE F - COMMITMENTS AND CONTINGENCIES

The School entered into a management agreement with a third party ("Management Company") to provide management, financial, personnel and other school related assistance to the School at a rate of \$83.88 per enrolled student per month. In addition to that rate the agreement also allows curriculum and instruction services provided by the management company for \$1,250 per month. Beginning July 1, 2011, the fee for the curriculum and instruction services fluctuates at the same percentage as the annual FEFP funding increase or decrease. The contract expires on June 30, 2015 and may be terminated by either party by giving ninety days' notice. Current year management fees and other fees paid to the management company totaled \$115,656.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G - RELATED PARTY

1. Management agreement

The management company provides oversight and management services based on a contractual arrangement with the School. The management company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management and other fees charged to operations for the year ended June 30, 2014 were \$115,656 (see Note F).

2. Board members

A member of School's Board of Directors was also a board member for two other charter schools managed by the same management company.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 13, 2014, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

The Learning Academy, Inc.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2014

	Budgeted Amounts			Variance with final budget
	Original	Final	Actual	
Revenues				
FEFP	\$ 669,217	\$ 664,054	\$ 656,987	\$ (7,067)
Donations	-	14,000	167,124	153,124
Miscellaneous	1,000	-	15,110	15,110
Total revenues	670,217	678,054	839,221	161,167
Expenditures				
Salaries	416,307	378,150	376,489	1,661
Social security	30,645	30,500	30,446	54
Group insurance	29,829	35,000	34,724	276
Worker's compensation	3,000	4,000	3,936	64
Unemployment compensation	7,000	8,500	7,582	918
Management services	115,656	115,656	115,656	-
Auditing/accounting	10,700	10,700	10,700	-
Staff development	10,000	10,000	-	10,000
Miscellaneous contract services		2,225	14,761	(12,536)
Insurance	19,157	19,157	17,935	1,222
In-county travel	1,000	-	-	-
Out-of-county travel	3,000	4,000	3,106	894
Vehicle maintenance	6,000	12,000	10,544	1,456
Computer repair	7,500	13,000	-	13,000
Fire alarm inspections	400	400	-	400
Copier lease	3,000	3,300	3,363	(63)
Postage	1,400	1,400	901	499
Radios-airtime	2,650	3,200	3,079	121
Telephone	8,200	7,100	6,594	506
Water and sewer	4,700	6,000	5,804	196
Printing	200	150	126	24
Pest control	500	600	565	35
Security monitoring	1,000	1,500	1,240	260
Non-professional service	4,000	4,000	1,825	2,175
Electricity	17,000	17,000	16,606	394
Gas	15,000	17,000	16,307	693
Supplies	16,000	25,000	31,318	(6,318)
Other materials and supplies	-	-	151	(151)
Instructional materials	4,000	4,000	2,068	1,932
Lunches	250	250	113	137
Equipment	250	2,000	1,539	461
Computer equipment	-	7,000	4,044	2,956
Computer hardware	-	-	2,587	(2,587)
Software	-	2,000	2,000	-
Dues and fees	3,000	3,000	2,538	462
Substitutes	8,000	35,000	30,130	4,870
Total expenditures	749,344	782,788	758,777	24,011
Excess of revenues over expenditures	(79,127)	(104,734)	80,444	185,178
Other financing sources and (uses)				
Transfer in	75,000	120,000	-	(120,000)
Total other financing sources and (uses)	75,000	120,000	-	(120,000)
Net change in fund balances	(4,127)	15,266	80,444	65,178
Fund balances at July 1, 2013	33,966	33,966	33,966	-
Fund balances at June 30, 2014	\$ 29,839	\$ 49,232	\$ 114,410	\$ 65,178

See accompanying note to required supplemental information

The Learning Academy, Inc.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Charter school capital projects	\$ 67,500	\$ 54,591	\$ 54,749	\$ 158
Expenditures				
Repairs and maintenance	15,000	17,000	16,682	318
Supplies	-	2,000	1,127	873
Equipment	2,000	-	394	(394)
Computer equipment	2,000	-	-	-
Motor vehicles	3,000	3,130	3,000	130
Land/buildings	24,060	24,060	24,060	-
Remodeling/renovations	10,000	13,825	12,225	1,600
Software	600	-	-	-
Total expenditures	56,660	60,015	57,488	2,527
Net change in fund balances	10,840	(5,424)	(2,739)	2,685
Fund balances at July 1, 2013	10,340	10,340	10,340	-
Fund balances at June 30, 2014	\$ 21,180	\$ 4,916	\$ 7,601	\$ 2,685

See accompanying note to required supplemental information

The Learning Academy, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2014

NOTE A - BUDGETARY INFORMATION

The School's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the School's Board of Directors ("Board"). The budgets presented for the fiscal year ended June 30, 2014, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

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 GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Learning Academy, Inc.
Milton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund and the aggregate fund information of The Learning Academy, Inc., (the "School") a component unit of the Santa Rosa County School District, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

September 13, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Directors
The Learning Academy, Inc.
Milton, Florida

We have audited the financial statements of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 13, 2014.

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. 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 *Government Auditing Standards*. Disclosures in that report, which is dated September 13, 2014, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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.
- 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 recommendations.
- 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.

- 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 *The Learning Academy, Inc.*
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General (for charter schools and centers only), we applied financial condition assessment procedures. 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.

Our management letter is intended solely for the information and use of The Learning Academy, Inc.'s management, Board of Directors, others within the entity, the Santa Rosa County School District, the Florida Auditor General, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 13, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FINDINGS, RECOMMENDATIONS, OR OTHER MATTERS

For the year ended June 30, 2013, there were no findings, management recommendations, or other matters.

For the year ended June 30, 2014, there were no findings, management recommendations, or other matters.