

**THE LEARNING
ACADEMY, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2012**

BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund 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, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of the School, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012, 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* and should be considered in assessing the results of our audit.

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

September 11, 2012
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, 2012 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 \$256,004 (net assets).
- The School's total net assets decreased by \$24,019.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$32,203.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$24,681.

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

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected 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 two 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 24 through 26 of this report.

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

Government-Wide Financial Analysis

As noted previously, net assets 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, 2012 and 2011, net assets exceeded liabilities by \$256,004 and \$280,023, respectively.

The largest portion of the School's net assets 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 \$223,801 at June 30, 2012.

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

The Learning Academy, Inc. Statement of Net Assets

	Governmental Activities		
	2012	2011	Variance
ASSETS			
Current assets	\$ 59,924	\$ 81,349	\$ (21,425)
Capital assets - not depreciated	185,000	185,000	-
Capital assets - net	91,391	99,392	(8,001)
Total assets	336,315	365,741	(29,426)
LIABILITIES			
Current liabilities	27,721	15,307	12,414
Noncurrent liabilities	52,590	70,411	(17,821)
Total liabilities	80,311	85,718	(5,407)
NET ASSETS			
Invested in capital assets, net of related debt	223,801	213,981	9,820
Restricted	3,420	8,562	(5,142)
Unrestricted	28,783	57,480	(28,697)
Total net assets	\$ 256,004	\$ 280,023	\$ (24,019)

Total assets decreased as a result of a decrease in cash which generally is a result of timing differences. Capital assets decreased as a result of dispositions and depreciation expense. The addition of payroll liabilities caused an increase in the current liabilities and the noncurrent liabilities decreased because of long-term debt principal payments.

The Learning Academy, Inc.
Statement of Net Assets

	Governmental Activities		
	2012	2011	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 10,814	\$ 70,675	\$ (59,861)
Capital grants and contributions	33,942	30,553	3,389
General revenues:			
State passed through local school district	679,104	748,558	(69,454)
Other revenues	10,278	626	9,652
Total revenues	<u>734,138</u>	<u>850,412</u>	<u>(116,274)</u>
Expenses:			
Basic instruction	244,666	280,205	(35,539)
Exceptional instruction	7,361	4,813	2,548
Pupil personnel services	-	4,070	(4,070)
Psychological services	-	1,586	(1,586)
Curriculum development	15,000	15,000	-
Board of directors	5,631	5,530	101
General administration	3,405	32,051	(28,646)
School administration	172,233	150,254	21,979
Fiscal services	53,892	58,447	(4,555)
Food services	16,558	207	16,351
Staff services	43,056	47,572	(4,516)
Transportation	87,566	128,916	(41,350)
Operation of plant	99,878	78,745	21,133
Maintenance of plant	2,672	1,330	1,342
Interest on note payable	6,239	7,928	(1,689)
Total expenses	<u>758,157</u>	<u>816,654</u>	<u>(58,497)</u>
Change in net assets	(24,019)	33,758	(57,777)
Net assets - beginning	<u>280,023</u>	<u>246,265</u>	<u>33,758</u>
Net assets - ending	<u>\$ 256,004</u>	<u>\$ 280,023</u>	<u>\$ (24,019)</u>

The changes in operating grants and contributions and state passed through local school district is because of one time federal funding received in the prior year, and the decrease in the funding from the state for capital outlay and operations, respectively. Basic instruction decreased due to decreases in salaries and related expenses. The changes in the school administration, food services, and transportation are related to the reallocation of salaries and related expense in the current year. The change in general administration is due to a position not being filled in the current year. Operation of plant increased because salaries were reallocated and a part-time position was filled.

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 \$32,203.

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 \$24,681.

During the current fiscal year, the fund balance of the School's general fund decreased by \$28,697.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted revenues by \$10,631. The budgeted expenditures exceeded the actual expenditures by \$10,422.

The budgetary information can be found on pages 24 through 26 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, 2012, amounts to \$276,391. 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, 2012 totaled \$52,590, a decrease of \$17,821 from 2011. 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'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 ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 38,485
Prepaid expenses	6,107
Due from other agencies	<u>15,332</u>
Total current assets	<u>59,924</u>
CAPITAL ASSETS	
Capital assets not being depreciated:	
Land	185,000
Capital assets, net of accumulated depreciation:	
Improvements other than buildings	84,984
Furniture, fixtures and equipment	5,649
Vehicles	<u>758</u>
Total capital assets	<u>276,391</u>
Total assets	<u>336,315</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	966
Accrued payroll liabilities	10,835
Due to other schools	1,119
Other liabilities	14,801
Noncurrent liabilities:	
Due within one year	19,687
Due after one year	<u>32,903</u>
Total liabilities	<u>80,311</u>
NET ASSETS	
Investment in capital assets, net of related debt	223,801
Restricted for:	
Capital outlay	3,420
Unrestricted	<u>28,783</u>
Total net assets	<u>\$ 256,004</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 244,666	\$ -	\$ -	\$ -	\$ (244,666)
Exceptional instruction	7,361	-	-	-	(7,361)
Curriculum development	15,000	-	-	-	(15,000)
Board of directors	5,631	-	-	-	(5,631)
General administration	3,405	-	-	-	(3,405)
School administration	172,233	-	-	-	(172,233)
Fiscal services	53,892	-	-	-	(53,892)
Food services	16,558	-	-	-	(16,558)
Staff services	43,056	-	-	-	(43,056)
Transportation	87,566	-	-	-	(87,566)
Operation of plant	99,878	-	10,814	27,703	(61,361)
Maintenance of plant	2,672	-	-	-	(2,672)
Interest on note payable	6,239	-	-	6,239	-
Total governmental activities	<u>\$ 758,157</u>	<u>\$ -</u>	<u>\$ 10,814</u>	<u>\$ 33,942</u>	<u>(713,401)</u>
General revenues:					
State passed through local school district					679,104
Other revenues					<u>10,278</u>
Total general revenues					<u>689,382</u>
Change in net assets					(24,019)
Net assets at July 1, 2011					<u>280,023</u>
Net assets at June 30, 2012					<u>\$ 256,004</u>

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

The Learning Academy, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS			
Cash	\$ 38,485	\$ -	\$ 38,485
Prepaid expenses	4,102	2,005	6,107
Due from other funds	1,635	-	1,635
Due from other agencies	12,282	3,050	15,332
Total assets	<u>\$ 56,504</u>	<u>\$ 5,055</u>	<u>\$ 61,559</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 966	\$ -	\$ 966
Accrued payroll liabilities	10,835	-	10,835
Due to other funds	-	1,635	1,635
Due to other schools	1,119	-	1,119
Other liabilities	14,801	-	14,801
Total liabilities	<u>27,721</u>	<u>1,635</u>	<u>29,356</u>
FUND BALANCES			
Nonspendable			
Prepaid expenses	4,102	2,005	6,107
Restricted	-	1,415	1,415
Unassigned	24,681	-	24,681
Total fund balances	<u>28,783</u>	<u>3,420</u>	<u>32,203</u>
Total liabilities and fund balances	<u>\$ 56,504</u>	<u>\$ 5,055</u>	<u>\$ 61,559</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 ASSETS**

June 30, 2012

Fund balances - total governmental funds	\$ 32,203
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The net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 185,000	
Improvements other than buildings, net	84,984	
Furniture, fixtures and equipment, net	5,649	
Vehicles, net	<u>758</u>	
Total capital assets		276,391

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>(52,590)</u>
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Total net assets of governmental activities	<u><u>\$ 256,004</u></u>
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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, 2012

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
State passed through local school district	\$ 679,104	\$ 44,756	\$ 723,860
Other revenues	10,278	-	10,278
Total revenues	<u>689,382</u>	<u>44,756</u>	<u>734,138</u>
Expenditures			
Current			
Basic instruction	244,187	-	244,187
Exceptional instruction	7,361	-	7,361
Curriculum development	15,000	-	15,000
Board of directors	5,631	-	5,631
General administration	3,405	-	3,405
School administration	172,233	-	172,233
Fiscal services	53,892	-	53,892
Food services	16,558	-	16,558
Staff services	43,056	-	43,056
Transportation	86,032	-	86,032
Operation of plant	64,856	15,956	80,812
Maintenance of plant	2,672	-	2,672
Fixed capital outlay	3,196	9,882	13,078
Debt service			
Principal	-	17,821	17,821
Interest	-	6,239	6,239
Total expenditures	<u>718,079</u>	<u>49,898</u>	<u>767,977</u>
Net change in fund balance	(28,697)	(5,142)	(33,839)
Fund balances at July 1, 2011	<u>57,480</u>	<u>8,562</u>	<u>66,042</u>
Fund balances at June 30, 2012	<u>\$ 28,783</u>	<u>\$ 3,420</u>	<u>\$ 32,203</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, 2012

Net change in fund balances - total government funds \$ (33,839)

The change in net assets 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	\$ 13,078	
Depreciation	<u>(21,079)</u>	
		(8,001)

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. Neither transactions, however, has any effect on net
assets. This amount is the net effect of these differences in the treatment
of long-term debt.

Principal payment of note payable	<u>17,821</u>
Change in net assets of governmental activities	<u><u>\$ (24,019)</u></u>

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

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 three 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, 2014. 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 assets 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 assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets 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 assets are 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 assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

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.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 financial resources not required to be accounted for in another fund.

Capital Outlay Fund - this 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, 2012, and determined that they 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 Capital Outlay Fund owed the General Fund \$1,635.

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:

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

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets (continued)

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 assets. 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 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.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (UBIT). 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, 2009.

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 expense) 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. Positive amounts are reported only in the general fund.

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, 2012

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. All funds in a noninterest-bearing transaction account are insured in full by the Federal Deposit Insurance Corporation ("FDIC") from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. At June 30, 2012, all of the Schools accounts were in non-interest bearing transaction accounts and thus fully insured.

NOTE C - CAPITAL ASSETS

Changes in capital assets activity was as follow:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets not being depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Capital assets depreciated:				
Buildings	1,100	\$ -	\$ -	1,100
Improvements other than buildings	257,504	9,882	-	267,386
Furniture, fixtures and equipment	45,074	3,196	-	48,270
Vehicles	20,819	-	12,084	8,735
Total assets depreciated	324,497	\$ 13,078	\$ 12,084	325,491
Less accumulated depreciation:				
Buildings	1,008	\$ 92	\$ -	1,100
Improvements other than buildings	163,795	18,607	-	182,402
Furniture, fixtures and equipment	41,775	846	-	42,621
Vehicles	18,527	1,534	12,084	7,977
Total accumulated depreciation	225,105	\$ 21,079	\$ 12,084	234,100
Total governmental activities capital assets, net	<u>\$ 284,392</u>			<u>\$ 276,391</u>

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense was charged for the year ended June 30, 2012 to functions of the School as follows:

Basic instruction	\$ 479
Transportation	1,534
Operation of plant	19,066
	<hr/>
Total depreciation	<u>\$ 21,079</u>

NOTE D - LONG-TERM LIABILITIES

1. Changes in long-term liabilities

Changes in long-term liabilities were as follows:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due within one year
Note payable	<u>\$ 70,411</u>	<u>\$ -</u>	<u>\$ 17,821</u>	<u>\$ 52,590</u>	<u>\$ 19,687</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. Current year principal and interest payments were \$17,821 and \$6,239, respectively.

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

	Principal	Interest	Total
2013	\$ 19,687	\$ 4,373	\$ 24,060
2014	21,748	2,312	24,060
2015	11,155	304	11,459
	<hr/>		
	<u>\$ 52,590</u>	<u>\$ 6,989</u>	<u>\$ 59,579</u>

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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	\$ 327,696
Supplemental academic instruction	103,228
Class size reduction	96,898
Interim funding	78,851
Student transportation	34,334
ESE guaranteed allocation	24,201
Discretionary millage	22,247
Discretionary equalization allocation	13,272
Instructional materials allocation	7,163
Safe schools	1,381
Lead teacher program	1,138
Discretionary lottery	286
Administration fee withheld (5%)	(31,591)
Subtotal	679,104
Capital outlay	44,756
Total from School Board of Santa Rosa County, Florida	723,860
Other revenues	10,278
Total revenues	<u>\$ 734,138</u>

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Operating leases

The School signed a lease with a third party on July 12, 2007 for office equipment. The length of this lease is for fifty-eight months beginning on July 31, 2007 and ending on May 31, 2012. The lease payment consists of equal monthly payments of \$289. For the year ended June 30, 2012 approximately \$3,871 was charged to operations.

Future minimum lease payment for the year ended June 30, 2013 totaling \$3,181.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

2. Management agreement

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 fixed rate of \$78 per enrolled student per month. In addition to the fixed 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 of 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 \$101,112.

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, 2012 are \$101,112 (see Note F-2).

2. Shared employees

The School shared an employee with another school operated by the same management company. A portion of their salary is allocated to the School on a cost reimbursement basis. During the year, Okaloosa Academy was reimbursed for shared expenses of approximately \$13,500. At June 30, 2012, the School owed Okaloosa Academy \$1,119.

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 2012. 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 11, 2012 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, 2012

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
FEFP	\$ 689,516	\$ 678,426	\$ 679,104	\$ 678
Donations	-	225	-	(225)
Miscellaneous	1,000	100	10,278	10,178
Total revenues	690,516	678,751	689,382	10,631
Expenditures				
Salaries	331,748	344,000	343,467	533
Social security	25,379	26,500	26,363	137
Group insurance	26,100	31,000	30,518	482
Worker's compensation	6,000	4,220	4,220	-
Unemployment compensation	7,500	8,000	7,316	684
Management services	101,112	101,250	101,112	138
Auditing/accounting	10,500	10,500	10,500	-
ESE services	4,000	4,000	4,000	-
Miscellaneous contract services	60,000	60,000	60,000	-
Insurance	13,500	19,000	18,064	936
In-county travel	1,200	1,500	1,222	278
Out-of-county travel	7,500	6,000	6,000	-
Vehicle maintenance	12,000	6,000	5,454	546
Computer repair	8,000	14,500	14,407	93
Copier lease	3,900	3,900	3,871	29
Postage	1,300	1,100	1,093	7
Radios-airtime	2,400	2,606	2,469	137
Telephone	6,400	8,000	7,981	19
Water and sewer	4,500	4,000	3,476	524
Advertising	100	-	-	-
Printing	300	400	378	22
Pest control	500	625	625	-
Security monitoring	1,000	1,000	912	88
Non-professional service	3,000	4,800	3,200	1,600
Electricity	18,500	16,000	15,775	225
Gas	18,000	15,000	14,801	199
Supplies	15,000	14,000	11,928	2,072
Instructional materials	12,000	2,500	1,398	1,102
Lunches	250	250	122	128
Equipment	-	250	240	10
Computer equipment	-	7,000	6,913	87
Software	-	4,600	4,599	1
Dues and fees	2,000	3,000	2,755	245
Substitutes	2,000	3,000	2,900	100
Total expenditures	705,689	728,501	718,079	10,422
Net change in fund balance	(15,173)	(49,750)	(28,697)	21,053
Fund balances at July 1, 2011	57,480	57,480	57,480	-
Fund balances at June 30, 2012	\$ 42,307	\$ 7,730	\$ 28,783	\$ 21,053

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, 2012

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Charter school capital projects	\$ 50,000	\$ 44,756	\$ 44,756	\$ -
Expenditures				
Insurance	4,500	-	-	-
Repairs and maintenance	20,000	17,000	15,956	1,044
Equipment	1,500	-	-	-
Computer equipment	1,000	-	-	-
Land/buildings	24,060	24,060	24,060	-
Remodeling/renovations	-	9,882	9,882	-
Software	2,000	-	-	-
Total expenditures	53,060	50,942	49,898	1,044
Net change in fund balance	(3,060)	(6,186)	(5,142)	(1,044)
Fund balances at July 1, 2011	8,562	8,562	8,562	-
Fund balances at June 30, 2012	<u>\$ 5,502</u>	<u>\$ 2,376</u>	<u>\$ 3,420</u>	<u>\$ (1,044)</u>

See accompanying note to required supplemental information

The Learning Academy, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2012

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, 2012, 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.

**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 the financial statements of the governmental activities and each major fund, 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, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

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*.

This report is intended solely for the information and use of the School's management, Board of Directors, others within the entity, the Santa Rosa County School District, the State of Florida Office of the Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2012
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., a component unit of the Santa Rosa County School District, Florida as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 11, 2012.

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 11, 2012, 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)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 violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is *The Learning Academy, Inc.*, which 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.
- 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.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of The Learning Academy, Inc.'s management, Board of Directors, others within the entity, the Santa Rosa County School District, the Florida Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2012
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS

For the year ended June 30, 2011, there were no management recommendations.

For the year ended June 30, 2012, there are no management recommendations.