

**THE LEARNING  
ACADEMY, INC.**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2015**

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## 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, 2015, 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, 2015, 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 Supplementary 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, 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 4, 2015  
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, 2015 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 \$631,267 (net position).
- The School's total net position increased by \$273,294.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$357,595.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$343,246.

### 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 supplemental 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, 2015 and 2014, assets exceeded liabilities by \$631,267 and \$357,973, respectively.

The largest portion of the School's net position reflects its net 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 net 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 \$273,672 at June 30, 2015.

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		
	2015	2014	Variance
<b>ASSETS</b>			
Current assets	\$ 367,482	\$ 136,647	\$ 230,835
Capital assets - net	273,672	247,117	26,555
Total assets	<u>641,154</u>	<u>383,764</u>	<u>257,390</u>
<b>LIABILITIES</b>			
Current liabilities	9,887	14,636	(4,749)
Noncurrent liabilities	-	11,155	(11,155)
Total liabilities	<u>9,887</u>	<u>25,791</u>	<u>(15,904)</u>
<b>NET POSITION</b>			
Net Investment in capital assets	273,672	235,962	37,710
Restricted	4,782	7,601	(2,819)
Unrestricted	352,813	114,410	238,403
Total net position	<u>\$ 631,267</u>	<u>\$ 357,973</u>	<u>\$ 273,294</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. Total liabilities decreased due to a payoff of long-term debt in the current period. In addition, the School's account payable decreased due to timing difference of payments.

**The Learning Academy, Inc.**  
**Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Capital grants and contributions	\$ 69,150	\$ 54,749	\$ 14,401
General revenues:			
Federal through state	175,601	190,693	(15,092)
State passed through local school district	1,099,283	656,987	442,296
Other revenues	20,434	15,110	5,324
Total revenues	1,364,468	917,539	446,929
Expenses:			
Basic instruction	402,810	316,700	86,110
Exceptional instruction	-	609	(609)
Curriculum development	15,075	15,000	75
Staff development	400	10,898	(10,498)
Board of directors	5,584	5,793	(209)
School administration	191,356	174,549	16,807
Facilities	16,549	-	16,549
Fiscal services	93,603	61,731	31,872
Food services	20	113	(93)
Staff services	81,616	50,382	31,234
Transportation	104,736	63,281	41,455
Operation of plant	152,388	111,006	41,382
Administrative technology	17,278	14,449	2,829
Maintenance of plant	9,455	-	9,455
Interest on note payable	304	2,312	(2,008)
Total expenses	1,091,174	826,823	264,351
Change in net position	273,294	90,716	182,578
Net position - beginning	357,973	267,257	90,716
Net position - ending	\$ 631,267	\$ 357,973	\$ 273,294

In current year, revenues increased due to the retention and increase in student population by district referrals causing FEP revenue growth. In addition, the School was awarded A+ funding for academic achievements resulting in a minor increase in revenues. Basic instruction increased due to adding new positions in the current year with the accompanying increase in employee benefit increases for insurance. Staff development decreased due to not requiring instructional staff services because of the hiring on full time staff. The school administration increased due to hiring new staff combined with employee benefit increases for insurance. Facilities rise is a result of renovation and remodeling of portable buildings to house the addition to the student population. Staff services increase is due to management fees increases due to increased student population. Transportation increase is due to the older buses used to move the increase in student population.

Lastly, operation of plant increase is a result of salaries and insurance cost escalations along with increases in group insurance costs and purchase of non-capital furniture, fixture, and equipment.

### **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 \$357,595.

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 \$343,246.

During the current fiscal year, the fund balance of the School's general fund increased by \$238,403.

### **General Fund Budgetary Highlights**

Actual general fund revenues exceeded budgeted revenues by \$148,087. The budgeted expenditures exceeded the actual expenditures by \$54,250.

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

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2015, amounts to \$273,672. This investment in capital assets includes land, 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 had no long-term liabilities as of June 30, 2015, which is a decrease of \$11,155 from 2014. 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, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 348,939
Prepaid expenses	9,567
Due from other agencies	<u>8,976</u>
Total current assets	<u>367,482</u>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated:	
Land	185,000
Capital assets, net of accumulated depreciation:	
Buildings	20,928
Improvements other than buildings	58,183
Furniture, fixtures and equipment	<u>9,561</u>
Total capital assets, net	<u>273,672</u>
Total assets	<u>641,154</u>
<b>LIABILITIES</b>	
Accounts payable	2,517
Accrued payroll liabilities	<u>7,370</u>
Total liabilities	<u>9,887</u>
<b>NET POSITION</b>	
Net investment in capital assets	273,672
Restricted for:	
Capital outlay	4,782
Unrestricted	<u>352,813</u>
Total net position	<u>\$ 631,267</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Federal passed through local school district	\$ 402,810	\$ -	\$ 175,601	\$ -	\$ (227,209)
Curriculum development	15,075	-	-	-	(15,075)
Staff development	400	-	-	-	(400)
Board of directors	5,584	-	-	-	(5,584)
School administration	191,356	-	-	-	(191,356)
Facilities	16,549	-	-	-	(16,549)
Fiscal services	93,603	-	-	-	(93,603)
Food services	20	-	-	-	(20)
Staff services	81,616	-	-	-	(81,616)
Transportation	104,736	-	-	-	(104,736)
Operation of plant	152,388	-	69,150	-	(83,238)
Administrative technology	17,278	-	-	-	(17,278)
Maintenance of plant	9,455	-	-	-	(9,455)
Interest on note payable	304	-	-	-	(304)
Total governmental activities	<u>\$ 1,091,174</u>	<u>\$ -</u>	<u>\$ 244,751</u>	<u>\$ -</u>	<u>(846,423)</u>
General revenues:					
State passed through local school district					1,099,283
Other revenues					20,434
Total general revenues					<u>1,119,717</u>
Change in net position					273,294
Net position at July 1, 2014					<u>357,973</u>
Net position at June 30, 2015					<u>\$ 631,267</u>

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

The Learning Academy, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 348,939	\$ -	\$ -	\$ 348,939
Prepaid expenses	9,567	-	-	9,567
Due from other funds	-	4,782	-	4,782
Due from other agencies	8,976	-	-	8,976
Total assets	<u>\$ 367,482</u>	<u>\$ 4,782</u>	<u>\$ -</u>	<u>\$ 372,264</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,517	\$ -	\$ -	\$ 2,517
Accrued payroll liabilities	7,370	-	-	7,370
Due to other funds	4,782	-	-	4,782
Total liabilities	<u>14,669</u>	<u>-</u>	<u>-</u>	<u>14,669</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	9,567	-	-	9,567
Restricted	-	4,782	-	4,782
Unassigned	343,246	-	-	343,246
Total fund balances	<u>352,813</u>	<u>4,782</u>	<u>-</u>	<u>357,595</u>
Total liabilities and fund balances	<u>\$ 367,482</u>	<u>\$ 4,782</u>	<u>\$ -</u>	<u>\$ 372,264</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, 2015

Fund balances - total governmental funds \$ 357,595

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	
Buildings, net	20,928	
Improvements other than buildings, net	58,183	
Furniture, fixtures and equipment, net	<u>9,561</u>	
Total capital assets		<u>273,672</u>

Total net position of governmental activities \$ 631,267

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, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ 148,560	\$ -	\$ 27,041	\$ 175,601
State passed through local school district	1,099,283	69,150	-	1,168,433
Other revenues	8,795	11,639	-	20,434
<b>Total revenues</b>	<b>1,256,638</b>	<b>80,789</b>	<b>27,041</b>	<b>1,364,468</b>
<b>Expenditures</b>				
<b>Current</b>				
Basic instruction	392,356	-	8,000	400,356
Curriculum development	15,075	-	-	15,075
Staff development	-	-	400	400
Board of directors	5,584	-	-	5,584
School administration	183,027	-	8,329	191,356
Facilities	16,549	-	-	16,549
Administrative technology	17,278	-	-	17,278
Fiscal services	93,603	-	-	93,603
Food services	20	-	-	20
Staff services	81,616	-	-	81,616
Transportation	104,218	-	-	104,218
Operation of plant	99,454	20,559	10,312	130,325
Maintenance of plant	9,455	-	-	9,455
Fixed capital outlay	-	51,590	-	51,590
<b>Debt service</b>				
Principal	-	11,155	-	11,155
Interest	-	304	-	304
<b>Total expenditures</b>	<b>1,018,235</b>	<b>83,608</b>	<b>27,041</b>	<b>1,128,884</b>
(under) expenditures	238,403	(2,819)	-	235,584
Other financing sources and (uses)				
Fund balances at July 1, 2014	114,410	7,601	-	122,011
Fund balances at June 30, 2015	<b>\$ 352,813</b>	<b>\$ 4,782</b>	<b>\$ -</b>	<b>\$ 357,595</b>

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, 2015

Net change in fund balances - total government funds \$ 235,584

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	\$ 51,590	
Depreciation	<u>(25,035)</u>	
		26,555

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>11,155</u>
Change in net position of governmental activities		<u>\$ 273,294</u>

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

**The Learning Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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, 2015**

**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, 2015

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 reviewed receivables at June 30, 2015, 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 \$4,782.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015**

**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, 2012.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015

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 \$361,347 at June 30, 2015. 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 were as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Capital assets depreciated:				
Buildings	1,100	\$ 23,059	\$ -	24,159
Improvements other than buildings	277,936	22,306	-	300,242
Furniture, fixtures and equipment	46,464	6,225	-	52,689
Vehicles	8,735	-	-	8,735
Total assets depreciated	334,235	\$ 51,590	\$ -	385,825
Less accumulated depreciation:				
Buildings	1,100	\$ 2,131	\$ -	3,231
Improvements other than buildings	221,612	20,447	-	242,059
Furniture, fixtures and equipment	40,671	2,457	-	43,128
Vehicles	8,735	-	-	8,735
Total accumulated depreciation	272,118	\$ 25,035	\$ -	297,153
Total governmental activities capital assets, net	<u>\$ 247,117</u>			<u>\$ 273,672</u>

**The Learning Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE C - CAPITAL ASSETS (continued)**

Depreciation expense was charged for the year ended June 30, 2015 to functions of the School as follows:

Operation of plant	\$ 22,063
Transportation	518
Basic instruction	<u>2,454</u>
Total depreciation	<u><u>\$ 25,035</u></u>

**NOTE D - LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due within one year
Note payable	<u>\$ 11,155</u>	<u>\$ -</u>	<u>\$ 11,155</u>	<u>\$ -</u>	<u>\$ -</u>

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 \$11,155 and \$304, respectively. As of November 2014, there were no notes payable.

**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:

**The Learning Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE E - CONCENTRATIONS (continued)**

Revenue sources (continued)

Sources	Amounts
School Board of Santa Rosa County, Florida	
Base funding	\$ 612,181
Other FEFP	153,891
Supplemental academic instruction	196,032
Interim funding	148,560
Student transportation	62,758
ESE guaranteed allocation	49,314
Discretionary millage	35,471
Discretionary equalization allocation	23,886
Instructional materials allocation	11,372
A+ Funds	9,669
Lead teacher program	1,493
Discretionary lottery	507
Administration fee withheld (5%)	(57,291)
Subtotal	1,247,843
Capital outlay	69,150
Title 1	27,041
Total from School Board of Santa Rosa County School District, Florida	1,344,034
Miscellaneous revenue	20,434
Total revenues	\$ 1,364,468

**NOTE F - COMMITMENTS AND CONTINGENCIES**

As of July 1, 2014, 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 monthly for each Full Time Equivalent (FTE) student enrolled. The base fee will be adjusted annually to reflect either an increase or a decrease in FTE funding that the School receives. As of June 30, 2015, the base monthly fee was adjusted to \$86.07 due to increased FTE enrollment. In addition to that rate, the agreement also allows curriculum and instruction services provided by the management company for \$1,250 per month. The contract expires on June 30, 2024 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 \$178,014.

**The Learning Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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, 2015 were \$178,014 (see Note F).

2. Board members

A member of the 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 2015. 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 4, 2015, 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 SUPPLEMENTARY 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, 2015

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
FEFP	\$ 832,447	\$ 1,099,283	\$ 1,099,283	\$ -
Federal passed through local school district	-	-	148,560	148,560
Miscellaneous	1,000	9,268	8,795	(473)
Total revenues	<u>833,447</u>	<u>1,108,551</u>	<u>1,256,638</u>	<u>148,087</u>
Expenditures				
Salaries	471,154	480,000	477,141	2,859
Social security	37,000	37,000	36,787	213
Group insurance	49,500	58,000	57,965	35
Worker's compensation	5,000	5,000	4,394	606
Unemployment compensation	8,500	8,500	8,309	191
Management services	135,787	179,000	178,014	986
Auditing/accounting	10,700	10,900	10,900	-
Staff development	10,000	2,000	500	1,500
Computer services	13,000	18,000	13,926	4,074
Miscellaneous contract services	1,000	4,000	769	3,231
Insurance	20,000	20,000	17,726	2,274
Travel	4,000	3,000	2,908	92
Vehicle maintenance	15,000	28,000	26,449	1,551
Fire alarm inspections	400	1,248	1,248	-
Copier lease	3,000	3,000	2,626	374
Postage	1,400	2,000	1,333	667
Radios-airtime	3,200	4,600	4,231	369
Telephone	7,100	8,300	7,342	958
Water and sewer	5,500	7,500	6,549	951
Printing	100	200	182	18
Pest control	600	600	540	60
Security monitoring	1,000	2,272	1,574	698
Maintenance services	-	9,000	7,331	1,669
Non-professional service	4,000	6,000	5,371	629
Electricity	16,000	20,000	17,406	2,594
Gas	15,000	15,000	11,910	3,090
Supplies	27,000	36,000	35,829	171
Instructional materials	10,000	10,000	2,228	7,772
Lunches	250	250	20	230
Equipment	1,000	15,000	9,734	5,266
Computer equipment	10,000	10,000	5,592	4,408
Buses	10,000	16,615	16,615	-
Land improvements	2,500	2,500	-	2,500
Remodeling/renovations	-	17,000	16,272	728
Software	10,000	10,000	8,912	1,088
Dues and fees	3,000	4,000	3,462	538
Substitutes	6,000	18,000	16,140	1,860
Total expenditures	<u>917,691</u>	<u>1,072,485</u>	<u>1,018,235</u>	<u>54,250</u>
Excess (deficiency) of revenues over (under) expenditures	(84,244)	36,066	238,403	202,337
Other financing sources and (uses)				
Transfer in	100,000	148,560	-	(148,560)
Total other financing sources and (uses)	<u>100,000</u>	<u>148,560</u>	<u>-</u>	<u>(148,560)</u>
Net change in fund balances	15,756	184,626	238,403	53,777
Fund balances at July 1, 2014	114,410	114,410	114,410	-
Fund balances at June 30, 2015	<u>\$ 130,166</u>	<u>\$ 299,036</u>	<u>\$ 352,813</u>	<u>\$ 53,777</u>

See accompanying note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Charter school capital projects	\$ 45,000	\$ 69,150	\$ 69,150	\$ -
Other revenues	-	12,000	11,639	361
Total revenues	45,000	81,150	80,789	361
Expenditures				
Repairs and maintenance	12,000	23,000	20,559	2,441
Land/buildings	11,459	11,459	11,459	-
Land Improvements	7,500	11,000	10,952	48
Remodeling/renovations	20,000	41,000	40,638	362
Total expenditures	50,959	86,459	83,608	2,851
Excess (Deficiency) of revenues and other financing sources over expenditures	(5,959)	(5,309)	(2,819)	(2,490)
Fund balances at July 1, 2014	7,601	7,601	7,601	-
Fund balances at June 30, 2015	\$ 1,642	\$ 2,292	\$ 4,782	\$ (2,490)

See accompanying note to required supplementary information

**The Learning Academy, Inc.**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2015**

**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, 2015, 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, 2015, 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 4, 2015.

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

September 4, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

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

### Report on the Financial Statements

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, 2015, and have issued our report thereon dated September 4, 2015.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 are dated September 4, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *The Learning Academy, Inc.*

## **Financial Condition**

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

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

## **Other Matters**

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

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the School's management, Board of Directors, others within the School, the Santa Rosa County School District, the State of Florida Office of the 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 4, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

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

For the year ended June 30, 2015, there are no findings or recommendations.