

**THE LEARNING
ACADEMY, INC.**

**Basic Financial Statements and
Supplementary Information**

**For the year ended
June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining 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, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 remaining fund information of the School, as of June 30, 2016, and the respective changes in financial position, and thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2016, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the District.

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 9, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 9, 2016
Melbourne, FL

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, 2016 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, as listed in the table of contents.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$623,157 (net position).
- The School's total net position decreased by \$8,110.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$389,576.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$376,925.

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, liabilities, and deferred outflows/inflows of resources with the difference 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 listed on the table of contents 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 listed on the table of contents 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 are listed in the table of contents 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 listed on the table of contents 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, 2016 and 2015, assets exceeded liabilities by \$623,157 and \$631,267, respectively.

A significant 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 \$233,581 at June 30, 2016.

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		
	2016	2015	Variance
ASSETS			
Current assets	\$ 429,159	\$ 367,482	\$ 61,677
Capital assets - net	<u>530,545</u>	<u>273,672</u>	<u>256,873</u>
Total assets	<u>959,704</u>	<u>641,154</u>	<u>318,550</u>
LIABILITIES			
Current liabilities	39,583	9,887	29,696
Noncurrent liabilities	<u>296,964</u>	<u>-</u>	<u>296,964</u>
Total liabilities	<u>336,547</u>	<u>9,887</u>	<u>326,660</u>
NET POSITION			
Net Investment in capital assets	233,581	273,672	(40,091)
Restricted	2,132	4,782	(2,650)
Unrestricted	<u>387,444</u>	<u>352,813</u>	<u>34,631</u>
Total net position	<u>\$ 623,157</u>	<u>\$ 631,267</u>	<u>\$ (8,110)</u>

Total assets increased as a result of the due from other agencies for collection of FEFP referrals and purchase of a new building currently under construction offset by the disposal of modular building with related improvements. Total liabilities increased substantially due to long-term debt related to current draws for the construction of the new building in the amount of \$296,964. In addition, the payable for legal related to transportation service in the amount of \$22,000 for an overtime issue.

The Learning Academy, Inc.
Statement of Activities

	Governmental Activities		
	2016	2015	Variance
Revenues:			
Program revenues:			
Capital grants and contributions	\$ 69,377	\$ 69,150	\$ 227
General revenues:			
Federal through state	195,841	175,601	20,240
State passed through local school district	1,312,482	1,099,283	213,199
Other revenues	7,996	20,434	(12,438)
Total revenues	<u>1,585,696</u>	<u>1,364,468</u>	<u>221,228</u>
Expenses:			
Basic instruction	656,613	402,810	253,803
Pupil personnel services	22,438	-	22,438
Curriculum development	-	15,075	(15,075)
Staff development	12,980	400	12,580
Board of directors	27,796	5,584	22,212
School administration	211,501	191,356	20,145
Facilities	-	16,549	(16,549)
Fiscal services	122,510	93,603	28,907
Food services	550	20	530
Staff services	111,220	81,616	29,604
Transportation	169,756	104,736	65,020
Operation of plant	201,484	152,388	49,096
Administrative technology	15,229	17,278	(2,049)
Maintenance of plant	17,657	9,455	8,202
Interest on note payable	2,264	304	1,960
Issuance fees	21,808	-	21,808
Total expenses	<u>1,593,806</u>	<u>1,091,174</u>	<u>502,632</u>
Change in net position	(8,110)	273,294	(281,404)
Net position - beginning	<u>631,267</u>	<u>357,973</u>	<u>273,294</u>
Net position - ending	<u>\$ 623,157</u>	<u>\$ 631,267</u>	<u>\$ (8,110)</u>

In current year, revenues increased due to the retention and growth of the student population and the district referrals related to FEFP revenue. Basic instruction and transportation increased in relationship to the growth in student population by adding new teaching positions and professional services. Pupil personnel services increased as a result of reclassification from curriculum development in the current year. School administration and staff services increased due to the management fee charged by the Management Company and claims expense related to an attorney's fee for an overtime issue. Transportation increased resulting from salaries and an overtime issue resulting from mediation. Operation of plant increased due to the loss on the disposal of fixed assets during the period. Issuance fees are the expenses related to the closing cost of the new loan for the new building.

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 a combined ending fund balance of \$389,576.

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 \$376,925.

During the current fiscal year, the fund balance of the School's general fund increased by \$34,631.

General Fund Budgetary Highlights

Actual general fund revenues and expenditures were less than final budget.

The budgetary information can be found listed on the table of contents 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, 2016, amounts to \$233,581. This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles; net of related debt. Additional information on the School's capital assets can be found in Note C.

Debt Administration. As of June 30, 2016, the School had an increase of \$296,964 from 2015 long-term liabilities related to the note for construction of a new building. Additional information on the School's long-term obligations can be found in Note D.

Economic Factor. A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from 184 students in the current year to 200 students for the 2016/2017 school year.

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, 2016

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 345,619
Prepaid expenses	10,519
Due from other agencies	<u>73,021</u>
Total current assets	<u>429,159</u>
CAPITAL ASSETS	
Capital assets not being depreciated:	
Land	185,000
Construction in progress	310,828
Capital assets, net of accumulated depreciation:	
Buildings	7,360
Improvements other than buildings	23,706
Furniture, fixtures and equipment	<u>3,651</u>
Total capital assets, net	<u>530,545</u>
Total assets	<u>959,704</u>
LIABILITIES	
Current liabilities:	
Accounts payable	208
Legal payable	22,000
Accrued payroll liabilities	17,375
Due within one year	
Note payable	46,931
Noncurrent liabilities:	
Due after one year	
Note payable	<u>250,033</u>
Total liabilities	<u>336,547</u>
NET POSITION	
Net investment in capital assets	233,581
Restricted for:	
Capital outlay	2,132
Unrestricted	<u>387,444</u>
Total net position	<u>\$ 623,157</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, 2016

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:					
Basic instruction	\$ 656,613	\$ -	\$ 195,841	\$ -	\$ (460,772)
Pupil personnel services	22,438	-	-	-	(22,438)
Staff development	12,980	-	-	-	(12,980)
Board of directors	27,796	-	-	-	(27,796)
School administration	211,501	-	-	-	(211,501)
Fiscal services	122,510	-	-	-	(122,510)
Food services	550	-	-	-	(550)
Staff services	111,220	-	-	-	(111,220)
Transportation	169,756	-	3,000	-	(166,756)
Operation of plant	201,484	-	-	69,377	(132,107)
Administrative technology	15,229	-	-	-	(15,229)
Maintenance of plant	17,657	-	-	-	(17,657)
Interest on note payable	2,264	-	-	-	(2,264)
Issuance fees	21,808	-	-	-	(21,808)
Total governmental activities	<u>\$ 1,593,806</u>	<u>\$ -</u>	<u>\$ 198,841</u>	<u>\$ 69,377</u>	<u>(1,325,588)</u>
			General revenues:		
			State passed through local school district		1,312,482
			Other revenues		4,996
			Total general revenues		<u>1,317,478</u>
			Change in net position		(8,110)
			Net position at July 1, 2015		<u>631,267</u>
			Net position at June 30, 2016		<u>\$ 623,157</u>

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

The Learning Academy, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 345,619	\$ -	\$ -	\$ 345,619
Prepaid expenses	10,519	-	-	10,519
Due from other funds	-	2,132	-	2,132
Due from other agencies	73,021	-	-	73,021
Total assets	<u>\$ 429,159</u>	<u>\$ 2,132</u>	<u>\$ -</u>	<u>\$ 431,291</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 208	\$ -	\$ -	\$ 208
Legal payable	22,000	-	-	22,000
Accrued payroll liabilities	17,375	-	-	17,375
Due to other funds	2,132	-	-	2,132
Total liabilities	<u>41,715</u>	<u>-</u>	<u>-</u>	<u>41,715</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	10,519	-	-	10,519
Restricted	-	2,132	-	2,132
Unassigned	376,925	-	-	376,925
Total fund balances	<u>387,444</u>	<u>2,132</u>	<u>-</u>	<u>389,576</u>
Total liabilities and fund balances	<u>\$ 429,159</u>	<u>\$ 2,132</u>	<u>\$ -</u>	<u>\$ 431,291</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, 2016

Fund balances - total governmental funds		\$ 389,576
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	
Construction in progress	310,828	
Buildings, net	7,360	
Improvements other than buildings, net	23,706	
Furniture, fixtures and equipment, net	3,651	
Total capital assets		530,545
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>(296,964)</u>
Total net position of governmental activities		<u>\$ 623,157</u>

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

The Learning Academy, Inc.

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

For the year ended June 30, 2016

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ 144,277	\$ -	\$ 51,564	\$ 195,841
State passed through local school district	1,312,482	69,377	-	1,381,859
Other revenues	7,996	-	-	7,996
Total revenues	1,464,755	69,377	51,564	1,585,696
Expenditures				
Current				
Basic instruction	602,176	-	51,564	653,740
Pupil personnel services	22,438	-	-	22,438
Staff development	12,980	-	-	12,980
Board of directors	27,796	-	-	27,796
School administration	211,501	-	-	211,501
Administrative technology	15,229	-	-	15,229
Fiscal services	122,510	-	-	122,510
Food services	550	-	-	550
Staff services	111,220	-	-	111,220
Transportation	169,239	-	-	169,239
Operation of plant	102,953	31,439	-	134,392
Maintenance of plant	17,657	-	-	17,657
Fixed capital outlay	286,767	40,588	-	327,355
Debt service				
Interest	2,264	-	-	2,264
Issuance fees	21,808	-	-	21,808
Total expenditures	1,727,088	72,027	51,564	1,850,679
Excess (deficiency) of revenues over (under) expenditures	(262,333)	(2,650)	-	(264,983)
Other financing sources and (uses)				
Proceeds on loan	296,964	-	-	296,964
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources and (uses)	296,964	-	-	296,964
Net change in fund balances	34,631	(2,650)	-	31,981
Fund balances at July 1, 2015	352,813	4,782	-	357,595
Fund balances at June 30, 2016	\$ 387,444	\$ 2,132	\$ -	\$ 389,576

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, 2016

Net change in fund balances - total government funds		\$ 31,981
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	\$ 327,355	
Depreciation	<u>(23,898)</u>	
		303,457
The statement of activities reflects only the loss on the disposal of assets, whereas the governmental funds does not include such loss. Thus, the change in net assets differs from the change in fund balance by the loss on the assets disposal.		
		(46,584)
Proceeds from the loan provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds equals repayments in the current period.		
		<u>(296,964)</u>
Change in net position of governmental activities		<u>\$ (8,110)</u>

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

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets 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, 2016

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, 2016

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, 2016, and determined that the balance was considered fully collectible based on prior experience; 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 \$2,132.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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 of 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 three years after a return was due or filed.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

13. Impact of recently issued accounting principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. This statement is effective for the School's June 30, 2016 fiscal year end.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Impact of recently issued accounting principles (continued)

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which clarifies certain provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and it establishes requirements for defined contribution pensions that was not within the scope of GASB No. 68. This statement is effective for the School's June 30, 2016 fiscal year end.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, as amended, by addressing the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the School's June 30, 2017 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the School's financial statements.

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 balances of the School's deposits were \$350,723 at June 30, 2016. 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.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Construction in progress	-	310,828	-	310,828
Total assets not being depreciated	<u>185,000</u>	<u>\$ 310,828</u>	<u>\$ -</u>	<u>495,828</u>
Capital assets depreciated:				
Buildings	24,159	\$ -	\$ 13,863	10,296
Improvements other than buildings	300,242	13,739	84,526	229,455
Furniture, fixtures and equipment	52,689	2,788	9,890	45,587
Vehicles	8,735	-	-	8,735
Total assets depreciated	<u>385,825</u>	<u>\$ 16,527</u>	<u>\$ 108,279</u>	<u>294,073</u>
Less accumulated depreciation:				
Buildings	3,231	\$ 2,861	\$ 3,156	2,936
Improvements other than buildings	242,059	17,851	54,161	205,749
Furniture, fixtures and equipment	43,128	3,186	4,378	41,936
Vehicles	8,735	-	-	8,735
Total accumulated depreciation	<u>297,153</u>	<u>\$ 23,898</u>	<u>\$ 61,695</u>	<u>259,356</u>
Total governmental activities capital assets, net	<u>\$ 273,672</u>			<u>\$ 530,545</u>

Depreciation expense was charged for the year ended June 30, 2016 to functions of the School as follows:

Operation of plant	\$ 20,508
Transportation	517
Basic instruction	<u>2,873</u>
Total depreciation	<u>\$ 23,898</u>

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D - LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due within one year
Note payable	\$ -	\$ 296,964	\$ -	\$ 296,964	\$ 46,931

The School entered into a promissory note on April 26, 2016 with a lender to purchase a new building to replace aging modular classrooms. The principal associated with the promissory note is \$1,120,000 once the total amount has been advanced. Commencing on November 30, 2016, the monthly one hundred and forty-four payments of principal and interest at the rate per annum of 4.75% fixed will be payable until October 28, 2028. As of June 30, 2016, there were interest payments of \$2,264 on the construction loan and no principal payments. The long-term debt associated with the current construction draw of the building and closing cost were \$296,964 with the current portion of the debt due within one year of \$46,931.

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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	\$ 739,245
FTE Referral	144,277
Other FEFP	183,896
Supplemental academic instruction	238,315
Student transportation	74,811
ESE guaranteed allocation	49,460
Discretionary millage	41,839
Discretionary equalization allocation	32,211
Instructional materials allocation	13,092
Administration fee withheld (5%)	<u>(68,643)</u>
Subtotal	1,448,503
Best and Brightest Teacher Scholarship	8,256
Capital outlay	69,377
Title 1	<u>51,564</u>
Total from School Board of Santa Rosa County School District, Florida	1,577,700
Other revenues	
Miscellaneous revenue	<u>7,996</u>
Total revenues	<u><u>\$ 1,585,696</u></u>

NOTE F - COMMITMENTS AND CONTINGENCIES

As of July 8, 2015, the School entered into a management agreement with a third party ("Management Company") to provide financial, human resource, and administration related assistance to the School at a fee which the School's Board shall approve annually and shall be a part of the Annual and Amended Budget. Current year management fees and other fees paid to the Management Company totaled \$220,000.

In August 2016, the School held mediation related to an overtime issue for transportation service in the amount of \$25,000 with a \$3,000 portion of the claim recovered by insurance. Due to the fact of transactions taking effect with the June 30, 2016 fiscal year, the School has recorded an insurance recovery of \$3,000, a legal payable of \$22,000, and expenses for salaries of \$7,000 and claims of \$18,000, respectively (see Note I).

The Learning Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G - RELATED PARTY

1. Management agreement

The Management Company provides financial, human resource, and administration 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, 2016 were \$220,000 (see Note F).

2. Board members

A member of the School's Board of Directors was also a board member for three 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 2016. 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 9, 2016, 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 except as follows:

In August 2016, the School reached an agreement in mediation related to an overtime issue for transportation service in the amount of \$25,000 with a \$3,000 portion of the claim recovered by insurance (see Note F).

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, 2016

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
FEFP	\$ 1,247,258	\$ 1,457,482	\$ 1,312,482	\$ (145,000)
Federal passed through local school district	-	-	144,277	144,277
Miscellaneous	9,225	5,248	7,996	2,748
Total revenues	<u>1,256,483</u>	<u>1,462,730</u>	<u>1,464,755</u>	<u>2,025</u>
Expenditures				
Salaries	646,078	640,500	633,551	6,949
Retirement	-	18,000	15,802	2,198
Social security	50,190	53,000	52,545	455
Group insurance	87,416	86,000	84,007	1,993
Worker's compensation	8,000	10,000	7,350	2,650
Unemployment compensation	8,500	11,500	11,380	120
Management services	220,000	220,000	220,000	-
Auditing/accounting	10,900	11,100	11,100	-
Curriculum and staff development	27,000	16,000	12,621	3,379
Computer services	18,000	15,000	13,275	1,725
Miscellaneous contract services	3,000	5,000	2,239	2,761
Insurance	20,000	26,000	24,022	1,978
Travel	3,000	3,300	3,192	108
Repairs and maintenance	-	2,000	-	2,000
Maintenance services	-	500	105	395
Vehicle maintenance	20,000	52,000	52,179	(179)
Fire alarm inspections	1,248	1,248	245	1,003
Copier lease	3,000	5,000	4,797	203
Postage	2,000	2,000	1,068	932
Radios-airtime	4,600	6,500	5,919	581
Telephone	8,300	8,300	6,858	1,442
Water and sewer	7,500	4,500	4,303	197
Printing	200	500	292	208
Pest control	600	600	455	145
Security monitoring	2,272	2,272	1,238	1,034
Non-professional service	6,000	9,000	8,083	917
Electricity	24,000	23,000	21,383	1,617
Gas	15,000	18,000	16,303	1,697
Supplies	40,000	55,000	51,470	3,530
Instructional materials	15,000	10,000	5,370	4,630
Lunches	250	1,000	550	450
Building and equipment	-	1,220,000	286,767	933,233
Equipment	5,000	3,500	2,764	736
Computer equipment	10,000	18,000	17,908	92
Buses	-	14,000	13,486	514
Software	10,000	12,000	11,741	259
Interest payments	-	2,500	2,264	236
Dues and fees	4,000	30,000	26,926	3,074
Claims expense	-	-	18,000	(18,000)
Substitutes	10,000	76,000	75,530	470
Total expenditures	<u>1,291,054</u>	<u>2,692,820</u>	<u>1,727,088</u>	<u>965,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,571)</u>	<u>(1,230,090)</u>	<u>(262,333)</u>	<u>967,757</u>
Other financing sources and (uses)				
Proceeds on loan	-	1,120,000	296,964	(823,036)
Transfer out	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>1,120,000</u>	<u>296,964</u>	<u>(823,036)</u>
Net change in fund balances	<u>(34,571)</u>	<u>(110,090)</u>	<u>34,631</u>	<u>144,721</u>
Fund balances at July 1, 2015	<u>352,813</u>	<u>352,813</u>	<u>352,813</u>	<u>-</u>
Fund balances at June 30, 2016	<u>\$ 318,242</u>	<u>\$ 242,723</u>	<u>\$ 387,444</u>	<u>\$ 144,721</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, 2016

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Charter school capital projects	\$ 45,000	\$ 69,377	\$ 69,377	\$ -
Total revenues	45,000	69,377	69,377	-
Expenditures				
Repairs and maintenance	20,000	21,000	20,626	374
Furniture and equipment	-	10,000	9,575	425
Computer equipment	-	4,026	4,026	-
Building and fixed equipment	-	24,061	24,061	-
Remodeling/renovations	25,000	15,000	13,739	1,261
Total expenditures	45,000	74,087	72,027	2,060
Excess (Deficiency) of revenues and other financing sources over expenditures	-	(4,710)	(2,650)	(2,060)
Other financing sources and (uses)				
Transfer in	-	-	-	-
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	-	(4,710)	(2,650)	(2,060)
Fund balances at July 1, 2015	4,782	4,782	4,782	-
Fund balances at June 30, 2016	\$ 4,782	\$ 72	\$ 2,132	\$ (2,060)

See accompanying note to required supplementary information

The Learning Academy, Inc.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

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 (the "Board"). The budgets presented for the fiscal year ended June 30, 2016, 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.

COMPLIANCE INFORMATION

**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, 2016 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 9, 2016.

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 9, 2016
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, 2016, and have issued our report thereon dated September 9, 2016.

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 9, 2016, 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Board of Directors, applicable School's management, others within the School, and the Santa Rosa County School District, and is not intended to be and should not be used by anyone other than these specified parties.

September 9, 2016
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the years ended June 30, 2016 and June 30, 2015, there were no management findings or recommendations.