

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS**  
**JUNE 30, 2007**  
**EXPRESSIONS LEARNING ARTS ACADEMY**

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# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Expressions Learning Arts Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of Expressions Learning Arts Academy (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kattell and Company, P.L.*

August 31, 2007  
Gainesville, Florida

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2007:

- The School's overall net assets increased by approximately \$50,000, which is about 21%.
- Total ending unrestricted net assets were approximately \$149,000.
- The School had total expenses for the year of about \$534,000 compared to revenues of approximately \$584,000.
- The school served a population of approximately 82 students in 2007 and 77 in 2006.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

#### **Government-wide Financial Statements**

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

#### **Fund Financial Statements**

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- Governmental funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. All funds are considered to be major funds and, accordingly, they are separately displayed.

## CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

### Net Assets

	2007 Governmental Activities	2006 Governmental Activities
Assets:		
Non-capital Assets	\$ 225,677	\$ 177,795
Capital Assets, Net	61,199	62,411
Total Assets	<u>286,876</u>	<u>240,206</u>
Liabilities:		
Current Liabilities	477	4,089
Net Assets:		
Invested in Capital Assets	61,199	62,411
Restricted	76,488	65,497
Unrestricted	148,712	108,209
Total Net Assets	<u>\$ 286,399</u>	<u>\$ 236,117</u>

### Change in Net Assets

Program Revenues:		
Capital Grants & Contributions	\$ 56,479	\$ 29,179
General Revenues:		
Title 1 Grant	17,596	16,945
Florida Education Finance Program	461,272	393,386
Other State Revenues	2,345	789
Unrestricted Grants & Contributions	43,986	48,640
Unrestricted Investment Earnings	2,283	2,183
Total Revenues	<u>583,961</u>	<u>499,898</u>
Program Expenses:		
Instruction	320,128	294,105
Instructional Support Services	3,607	2,202
General Support	209,944	206,164
Total Expenses	<u>533,679</u>	<u>502,471</u>
Change in Net Assets	50,282	(2,573)
Beginning Net Assets	236,117	238,690
Ending Net Assets	<u>\$ 286,399</u>	<u>\$ 236,117</u>

## **OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

### **Governmental Activities**

The governmental activities generated \$56,479 in program revenues and \$527,482 of general revenues, and incurred \$533,679 of program expenses. This resulted in a \$50,282 increase in net assets.

## **THE SCHOOL'S INDIVIDUAL FUNDS**

### **General Fund**

The General Fund's fund balance increased by \$40,503, from \$108,209 to \$148,712. This increase is due to increase in student enrollment and no significant increases in expenses.

### **Special Revenue Fund**

The Special Revenue Fund's fund balance remained the same at \$0 which means that all grant funds were spent during the year. This is expected due to the nature of the Title I grant funds.

### **Capital Projects Fund**

The Capital Project Fund balance increased by \$10,991, from \$65,497 to \$76,488. The legislature provided more funding per child and expenditures did not increase in proportion.

## **BUDGETARY HIGHLIGHTS**

### **General Fund**

The original budget included a conservative estimate of enrollment. The final budget was amended to reflect enrollment in excess of amounts originally budgeted.

### **Special Revenue Fund**

There were no significant amendments to the budget of the special revenue fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The School had no significant capital asset activity. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

### **Debt Administration**

No new debt was issued during the year and the School has no existing long-term debt.

## **ECONOMIC FACTORS**

FEFP funding has increased per child for the 2007 - 2008 school year.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cheryl Valantis, Principal; 5408 SW 13<sup>th</sup> Street; Gainesville, Florida 32608 or Sharon Brannon, CPA; 161 North Main Street; Williston, Florida 32696.

**Statement of Net Assets**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

	Governmental Activities
<b>Assets</b>	
Assets:	
Cash	\$ 225,228
Interest Receivable	449
Depreciable Capital Assets, Net	61,199
Total Assets	286,876
<b>Liabilities</b>	
Liabilities:	
Accounts Payable	477
Total Liabilities	477
<b>Net Assets</b>	
Net Assets:	
Invested in Capital Assets	61,199
Restricted for:	
Public Education Capital Outlay	76,488
Unrestricted	148,712
Total Net Assets	\$ 286,399

See accompanying notes.

**Statement of Activities  
For the Year Ended June 30, 2007  
Expressions Learning Arts Academy**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs:</b>				
Governmental Activities:				
Instruction	\$ 320,128	\$ -	\$ -	\$ (320,128)
Instructional Support Services	3,607	-	-	(3,607)
General Support	209,944	-	-	(153,465)
<b>Total</b>	<u>\$ 533,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(477,200)</u>

**General Revenues:**

Federal through State:	
Title I Grant	17,596
State Revenue:	
Florida Education Finance Program	461,272
Other State Revenues	2,345
Unrestricted Grants and Contributions	43,986
Unrestricted Investment Earnings	<u>2,283</u>
<b>Total General Revenues</b>	<u><b>527,482</b></u>
<b>Change in Net Assets</b>	<b>50,282</b>
<b>Net Assets – Beginning of Year</b>	<u><b>236,117</b></u>
<b>Net Assets – End of Year</b>	<u><b>\$ 286,399</b></u>

See accompanying notes.

**Balance Sheet – Governmental Funds**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Assets:				
Cash	\$ 148,740	\$ -	\$ 76,488	\$ 225,228
Interest Receivable	449	-	-	449
<b>Total Assets</b>	<b><u>\$149,189</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 76,488</u></b>	<b><u>\$ 225,677</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	477	-	-	477
Total Liabilities	477	-	-	477
Fund Balances:				
Reserved for:				
Public Education Capital Outlay	-	-	76,488	76,488
Unreserved	148,712	-	-	148,712
Total Fund Balances	148,712	-	76,488	225,200
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 149,189</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 76,488</u></b>	<b><u>\$ 225,677</u></b>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets  
Governmental Funds  
June 30, 2007  
Expressions Learning Arts Academy**

**Fund Balances – Total Governmental Funds** \$ 225,200

Amounts reported for Governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 61,199

**Net Assets of Governmental Activities** \$ 286,399

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007  
Expressions Learning Arts Academy**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
<b>Revenues:</b>				
Federal through State:				
Title I Grant	\$ -	\$ 17,596	\$ -	\$ 17,596
State Revenue:				
Florida Education Finance Program	461,272	-	-	461,272
Public Education Capital Outlay	-	-	56,479	56,479
Other State Revenue	2,345	-	-	2,345
Local Revenue:				
Fundraising and Gifts	43,986	-	-	43,986
Interest Income	2,283	-	-	2,283
<b>Total Revenues</b>	<b>509,886</b>	<b>17,596</b>	<b>56,479</b>	<b>583,961</b>
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instructional	299,003	17,510	-	316,513
Instructional Support Services	3,521	86	-	3,607
General Support	166,859	-	-	166,859
Capital Outlay	-	-	45,488	45,488
<b>Total Expenditures</b>	<b>469,383</b>	<b>17,596</b>	<b>45,488</b>	<b>532,467</b>
<b>Excess of Revenues Over Expenditures</b>	<b>40,503</b>	<b>-</b>	<b>10,991</b>	<b>51,494</b>
<b>Fund Balances, July 1, 2006</b>	<b>108,209</b>	<b>-</b>	<b>65,497</b>	<b>173,706</b>
<b>Fund Balances, June 30, 2007</b>	<b>\$ 148,712</b>	<b>\$ -</b>	<b>\$ 76,488</b>	<b>\$ 225,200</b>

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2007  
Expressions Learning Arts Academy**

**Excess of Revenues over Expenditures – Total Governmental Funds** \$ 51,494

Amounts 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 depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	4,375
Current Year Depreciation Expense	<u>(5,587)</u>

**Change in Net Assets of Governmental Activities** \$ 50,282

See accompanying notes.

**Notes to the Financial Statements**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Expressions Learning Arts Academy conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

The Expressions Learning Arts Academy, Inc. 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 not-for-profit corporation conducts business as Expressions Learning Arts Academy (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

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, the Alachua County District School Board (the “District”). The current charter is effective until June 30, 2012, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. 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. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. 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 District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School’s financial position as of the end of the fiscal year. In this statement, the School’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**Notes to the Financial Statements**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Government-wide Financial Statements (concluded)

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

**GOVERNMENTAL FUNDS**

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

**Notes to the Financial Statements**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2007, there was approximately \$50,000 in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15
Leasehold Improvements	15-30
Improvements	15
Furniture, Fixtures and Equipment	5

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (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 Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees' unused sick and vacation time and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations would be reported in the government-wide financial statements. The School has no long-term liabilities. In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

**Notes to the Financial Statements**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Reserved Fund Balance

In the Accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

**NOTE 2 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital Assets:				
Buildings	\$ 3,529	\$ -	\$ -	\$ 3,529
Leasehold Improvements	55,338	1,981	-	57,319
Improvements	13,901	2,394	-	16,295
Furniture, Fixtures & Equipment	23,086	-	935	22,151
Total Capital Assets	<u>95,854</u>	<u>4,375</u>	<u>935</u>	<u>99,294</u>
Accumulated Depreciation:				
Buildings	294	235	-	529
Leasehold Improvements	11,615	2,400	-	14,015
Improvements	3,309	1,032	-	4,341
Furniture, Fixtures & Equipment	18,225	1,920	935	19,210
Total Accumulated Depreciation	<u>33,443</u>	<u>5,587</u>	<u>935</u>	<u>38,095</u>
Net Capital Assets	<u>\$ 62,411</u>	<u>\$ (1,212)</u>	<u>\$ -</u>	<u>\$ 61,199</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 3,615
General Support	<u>1,972</u>
Total Depreciation Expense	<u>\$ 5,587</u>

**Notes to the Financial Statements**  
**June 30, 2007**  
**Expressions Learning Arts Academy**

**NOTE 3 – RISK MANAGEMENT**

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the last three years.

**NOTE 4 – LEASES**

In January 2004, the School executed an operating lease for the School property, which was effective through June 30, 2009. The lease expense for the year ended June 30, 2007 was \$38,400.

Effective July 2007, the School canceled the previous lease and entered into a new operating lease for the School property. The lease is effective through June 30, 2012. Future minimum lease payments are as follows:

<u>Year Ending</u>	
2008	\$48,000
2009	\$48,000
2010	\$48,000
2011	\$48,000
2012	\$48,000

**Budgetary Comparison Schedule – General Fund  
For the Year Ended June 30, 2007  
Expressions Learning Arts Academy**

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
<b>Revenues:</b>				
State Revenue:				
Florida Education Finance Program	\$ 401,333	\$ 461,272	\$ 461,272	\$ -
Other State Revenue	735	2,345	2,345	-
Local Revenue:				
Fundraising & Gifts	30,000	43,986	43,986	-
Interest Income	500	2,283	2,283	-
<b>Total Revenues</b>	<b><u>432,568</u></b>	<b><u>509,886</u></b>	<b><u>509,886</u></b>	<b><u>-</u></b>
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instructional	270,586	299,005	299,003	2
Instructional Support Services	4350	3,523	3,521	2
General Support	174,788	166,874	166,859	15
<b>Total Expenditures</b>	<b><u>449,724</u></b>	<b><u>469,402</u></b>	<b><u>469,383</u></b>	<b><u>19</u></b>
<b>Excess of Revenues Over (Under)Expenditures</b>	<b>(17,156)</b>	<b>40,484</b>	<b>40,503</b>	<b>19</b>
<b>Fund Balances, July 1, 2006</b>	<b><u>17,156</u></b>	<b><u>-</u></b>	<b><u>108,209</u></b>	<b><u>108,209</u></b>
<b>Fund Balances, June 30, 2007</b>	<b><u>\$ -</u></b>	<b><u>\$ 40,484</u></b>	<b><u>\$ 148,712</u></b>	<b><u>\$ 108,228</u></b>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

**Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended June 30, 2007  
Expressions Learning Arts Academy**

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Revenues:</b>				
Federal through State:				
Title I Grant	\$ 17,510	\$ 17,596	\$ 17,596	\$ -
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instructional	17,510	17,510	17,510	-
Instructional Support Services	0	86	86	-
<b>Total Expenditures</b>	<b>17,510</b>	<b>17,596</b>	<b>17,596</b>	<b>-</b>
<b>Excess of Revenues Over (Under)Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, July 1, 2006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## MANAGEMENT LETTER

To the Board of Directors,  
Expressions Learning Arts Academy, Inc.

We have audited the financial statements of Expressions Learning Arts Academy (the "School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

### Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. In that regard, the prior year audit finding was not repeated.

### Financial Emergency

The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the School has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.

### Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

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

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

*Kattell and Company, P.L.*

August 31, 2007  
Gainesville, Florida

# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Board of Directors,  
Expressions Learning Arts Academy, Inc.

We have audited the financial statements of the governmental activities and each major fund of Expressions Learning Arts Academy (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings as 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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

*Kattell and Company, P.L.*

August 31, 2007  
Gainesville, Florida



**Schedule of Findings**  
**June 30, 2007**  
**Expressions Learning Arts Academy, Inc.**

07-1 *Finding* – One of the employees of the School receives money, writes the receipts and prepares the deposits. This represents a lack of separation of incompatible duties.

*Recommendation* – The School should implement a procedure where another employee agrees the amounts recorded on receipt copies to the amounts deposited into the bank. This procedure could provide effective control even if performed only on a sample of total receipts.