

HEALTHY LEARNING
ACADEMY

AUDIT REPORT

JUNE 30, 2006

**Audit Report
Healthy Learning Academy
June 30, 2006**

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Independent Auditors' Report

To the Board of Directors
Healthy Learning Academy

We have audited the accompanying financial statements of the governmental activities and the major fund of Healthy Learning Academy (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2006, 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 the major fund of the School as of June 30, 2006, 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 our report dated October 26, 2006 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 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 schedule 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.

October 26, 2006
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, 2006. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2006:

- The School's overall net assets increased by \$132,868.
- Total ending unrestricted net assets were \$0.
- The School had total expenses for the year of \$167,132 compared to revenues of \$300,000.

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 difference between the fund financial statements and the government-wide financial statements.

The School maintains one individual governmental fund. The General Fund is considered to be a major fund and, accordingly, is separately displayed.

CONDENSED FINANCIAL INFORMATION

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

Net Assets

Assets:	
Non-capital Assets	\$ 100,412
Capital Assets, Net	<u>40,231</u>
Total Assets	<u>140,643</u>
Liabilities:	
Current Liabilities	7,775
Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>7,775</u>
Net Assets:	
Invested in Capital Assets	40,231
Restricted for Start Up Grant	92,637
Unrestricted	<u>-</u>
Total Net Assets	<u><u>\$ 132,868</u></u>

Change in Net Assets

General Revenues:	
Start Up Grant	<u>\$ 300,000</u>
Program Expenses:	
Instruction	8,471
Instructional Support Services	54,789
General Support	<u>103,872</u>
Total Expenses	<u>167,132</u>
Change in Net Assets	132,868
Beginning Net Assets	<u>-</u>
Ending Net Assets	<u><u>\$ 132,868</u></u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$300,000 of general revenues, and incurred \$167,132 of program expenses. This resulted in a \$132,868 increase in net assets.

THE SCHOOL'S INDIVIDUAL FUND

General Fund

The General Fund's fund balance increased by \$92,637.

BUDGETARY HIGHLIGHTS – GENERAL FUND

During the 2005-06 school year, there was no enrollment. The actual operations of the General Fund were funded by the Start up grant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The school acquired approximately \$50,000 of capital assets during the year. 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.

The school has no long-term debt.

ECONOMIC FACTORS

We are not aware of any factors that may significantly impact the School's financial condition.

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 Jeannie Buskirk, Healthy Learning Academy, 2101 NW 39th Avenue, Gainesville, Florida 32605, 352-372-2279.

Statement of Net Assets
June 30, 2006
Healthy Learning Academy

ASSETS

Cash and Cash Equivalents	\$ 11,227
Due From Other Agencies	1,670
Prepaid Items	87,515
Capital Assets:	
Depreciable Capital Assets, Net	<u>40,231</u>
 TOTAL ASSETS	 <u>140,643</u>

LIABILITIES

Accounts Payable	<u>7,775</u>
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NET ASSETS

Invested in Capital Assets	40,231
Restricted for Start Up Grant	92,637
Unrestricted	<u>-</u>
 TOTAL NET ASSETS	 <u><u>\$ 132,868</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2006
Healthy Learning Academy

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRI- BUTIONS</u>	<u>CAPITAL GRANTS AND CONTRI- BUTIONS</u>	
Instruction	\$ 8,471	\$ -	\$ -	\$ -	\$ (8,471)
Instructional Support Services	54,789	-	-	-	(54,789)
General Support	<u>103,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,872)</u>
TOTAL	<u><u>\$ 167,132</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>(167,132)</u>
GENERAL REVENUES:					
					<u>300,000</u>
					132,868
					<u>-</u>
					<u><u>\$ 132,868</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Balance Sheet - Governmental Funds
June 30, 2006
Healthy Learning Academy

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 11,227
Due From Other Agencies	1,670
Prepaid Items	<u>87,515</u>
 TOTAL ASSETS	 <u><u>\$ 100,412</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
 <u>LIABILITIES</u>	
Accounts Payable	\$ 7,775
 <u>FUND BALANCE</u>	
Reserved for Start Up Grant	 <u>92,637</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 100,412</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2006
Healthy Learning Academy

FUND BALANCE – GENERAL FUND	\$ 92,637
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	<u>40,231</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 132,868</u></u>

The accompanying “Notes to Financial Statements”
form an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2006
Healthy Learning Academy**

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Start Up Grant	<u>\$ 300,000</u>
 <u>EXPENDITURES</u>	
Current:	
Instruction	10,934
Instructional Support Services	54,789
General Support	<u>141,640</u>
 TOTAL EXPENDITURES	 <u>207,363</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 92,637
 FUND BALANCE, July 1, 2005	 <u>-</u>
 FUND BALANCE, June 30, 2006	 <u><u>\$ 92,637</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**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, 2006
Healthy Learning Academy**

EXCESS OF REVENUES OVER EXPENDITURES - GENERAL FUND	\$ 92,637
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.	
Expenditures for Capital Assets	50,289
Current Year Depreciation Expense	<u>(10,058)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 132,868</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Notes to Financial Statements
June 30, 2006
Healthy Learning Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Healthy Learning Academy conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

Healthy Learning Academy, Inc. is a not-for-profit corporation organized in 2004 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 Healthy Learning Academy (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors, which is composed of five 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, the Alachua County District School Board (the “District”). The current charter is effective until June 30, 2010. 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.

Reporting Model

The School follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

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.

Notes to Financial Statements
June 30, 2006
Healthy Learning Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 an individual fund 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.

In the accompanying fund financial statements, the General Fund is considered to be a major fund and, therefore, is separately displayed.

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.

The 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 recognized in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Notes to Financial Statements
June 30, 2006
Healthy Learning Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The School deposits its temporarily idle resources in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2006, no funds were held in excess of FDIC insurance coverage.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 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 at 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>
Furniture, Fixtures and Equipment	5

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the Start Up grant. This assistance is generally based on an application that is submitted to and approved by the granting agency.

Compensated Absences

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

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 definitions 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.

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.

Notes to Financial Statements
June 30, 2006
Healthy Learning Academy

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Capital Assets, Being Depreciated:				
Furniture, Fixtures and Equipment	\$ -	\$ 50,289	\$ -	\$ 50,289
Accumulated Depreciation:				
Furniture, Fixtures and Equipment	-	<u>10,058</u>	-	<u>10,058</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ 40,231</u>	<u>\$ -</u>	<u>\$ 40,231</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 616
General Support	<u>9,442</u>
Total	<u>\$ 10,058</u>

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.

REQUIRED SUPPLEMENTARY INFORMATION

**Budgetary Comparison Schedule – General Fund
June 30, 2006
Healthy Learning Academy**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL BUDGET
<u>REVENUES</u>				
Start Up Grant	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
<u>EXPENDITURES</u>				
Current:				
Instruction	138,179	138,179	10,934	127,245
Instructional Support Services	44,000	44,000	54,789	(10,789)
General Support	117,821	117,821	141,640	(23,819)
TOTAL EXPENDITURES	300,000	300,000	207,363	92,637
EXCESS OF REVENUES OVER EXPENDITURES	-	-	92,637	92,637
FUND BALANCE, July 1, 2005	-	-	-	-
FUND BALANCE, June 30, 2006	\$ -	\$ -	\$ 92,637	\$ 92,637

Notes to Budgetary Comparison 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.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

Management Letter

To the Board of Directors
Healthy Learning Academy

We have audited the financial statements of Healthy Learning Academy (the "School"), as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. We have also issued our report on internal control over financial reporting and on compliance and other matters. 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 corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. This is the first year of the School's operations, and accordingly, there was no prior audit.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the School has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

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, 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 and your staff 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 other matters.

October 26, 2006
Gainesville, Florida

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

To the Board of Directors
Healthy Learning Academy

We have audited the financial statements of the governmental activities and the major fund of Healthy Learning Academy (the "School") as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 26, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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,