

A decorative border of colored pencils surrounds the central text. The pencils are arranged in a rectangular frame: a yellow pencil on the left, a blue pencil on the right, a brown pencil at the top, and a green pencil at the bottom. Additionally, a blue pencil is positioned vertically on the right side, and a yellow pencil is positioned vertically on the left side. At the bottom, there are three pencils: a brown one on the left, a yellow one in the middle, and a blue one on the right. In the bottom right corner, there is a teal pencil holder containing several colored pencils (red, yellow, blue, green, brown).

Expressions Learning
Arts Academy, Inc.

Financial Statements
And
Independent Auditors' Report

June 30, 2011

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

**808-B NW 16th Avenue
Gainesville, Florida 32601
(352) 395-6565**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2011
EXPRESSIONS LEARNING ARTS ACADEMY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Expressions Learning Arts Academy
Gainesville, Florida

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, 2011, 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, 2011, 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 30, 2011 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 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.

Kattell and Company, P.L.

August 30, 2011
Gainesville, Florida

Management's Discussion and Analysis

June 30, 2011

Expressions Learning Arts Academy

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, 2011. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2011:

- The School's overall net assets decreased by approximately \$12,000, which is about 4%.
- Total ending unrestricted net assets were approximately \$190,000.
- The School had total expenses for the year of about \$678,000 compared to revenues of approximately \$666,000.
- The School served a population of 88 students in 2011 and 86 in 2010, serving grades K-5.

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.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. Each fund is considered to be a major fund and, accordingly, they are separately displayed.

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. Reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis
June 30, 2011
Expressions Learning Arts Academy

CONDENSED FINANCIAL INFORMATION

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

	2011 Governmental Activities	2010 Governmental Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 231,766	\$ 244,269
Capital Assets, Net	62,909	61,849
Total Assets	<u>294,675</u>	<u>306,118</u>
Liabilities:		
Current Liabilities	<u>1,426</u>	<u>817</u>
Net Assets:		
Invested in Capital Assets	62,909	61,849
Restricted	40,490	60,724
Unrestricted	189,850	182,728
Total Net Assets	<u>\$ 293,249</u>	<u>\$ 305,301</u>
Change in Net Assets		
Program Revenues:		
Capital Grants & Contributions	\$ 35,166	\$ 42,191
General Revenues:		
Florida Education Finance Program	545,747	528,066
Other State Revenues	19,955	2,145
Unrestricted Grants & Contributions	64,743	54,475
Unrestricted Investment Earnings	880	1,052
Total Revenues	<u>666,491</u>	<u>627,929</u>
Program Expenses:		
Instruction	394,531	385,077
Instructional Support Services	705	1,032
General Support	283,307	269,805
Total Expenses	<u>678,543</u>	<u>655,914</u>
Change in Net Assets	(12,052)	(27,985)
Beginning Net Assets	305,301	333,286
Ending Net Assets	<u>\$ 293,249</u>	<u>\$ 305,301</u>

Management's Discussion and Analysis
June 30, 2011
Expressions Learning Arts Academy

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$35,166 in program revenues and \$631,325 of general revenues, and incurred \$678,543 of program expenses. This resulted in a \$12,052 decrease in net assets. This decrease is less than the decrease from the year ended June 30, 2010. This decrease is not very different from the Net Change in Fund Balance since the School's capital asset purchases were approximately the same as its depreciation expense.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$7,122, from \$182,728 to \$189,850. The School's focus on fundraising and the addition of stimulus funding in the current year contributed to an increase in fund balance for 2011, compared to a decrease in 2010.

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$20,234 from \$60,724 to \$40,490. State capital outlay funding has not been increasing in proportion to the number of schools who must share it. As a result, revenues for the School have been decreasing while occupancy costs have remained the same.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant differences between original and final budgets. There were no differences between the final budget and actual amounts

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 had no existing long-term debt at the beginning of the year.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

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 13th Street; Gainesville, Florida 32608 or Sharon Brannon, CPA; 161 North Main Street; Williston, Florida 32696.

Statement of Net Assets
June 30, 2011
Expressions Learning Arts Academy

	Governmental Activities
Assets	
Cash	\$ 228,314
Interest Receivable	194
Prepays	3,258
Depreciable Capital Assets, Net	62,909
Total Assets	294,675
Liabilities	
Accounts Payable	1,426
Total Liabilities	1,426
Net Assets	
Invested in Capital Assets	62,909
Restricted for:	
Public Education Capital Outlay	40,490
Unrestricted	189,850
Total Net Assets	\$ 293,249

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2011
Expressions Learning Arts Academy

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets	Assets
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (394,531)	\$ --	\$ --	\$ --	\$ (394,531)
Instructional Support Services	(705)	--	--	--	(705)
General Support	(283,307)	--	--	35,166	(248,141)
Total	\$ (678,543)	\$ --	\$ --	\$ 35,166	(643,377)
General Revenues:					
State Revenue:					
Florida Education Finance Program					
					545,747
Other State Revenues					
					19,955
Unrestricted Grants and Contributions					
					64,743
Unrestricted Investment Earnings					
					880
Total General Revenues					631,325
Change in Net Assets					(12,052)
Net Assets – Beginning of Year					305,301
Net Assets – End of Year					\$ 293,249

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2011
Expressions Learning Arts Academy

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 187,824	\$ 40,490	\$ 228,314
Interest Receivable	194	--	194
Prepays	3,258	--	3,258
Total Assets	\$ 191,276	\$ 40,490	\$ 231,766
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 1,426	\$ --	\$ 1,426
Total Liabilities			
Fund Balances:			
Nonspendable Prepays	3,258	--	3,258
Restricted - Capital Projects	--	40,490	40,490
Unassigned	186,592	--	186,592
Total Fund Balances	189,850	40,490	230,340
Total Liabilities and Fund Balances	\$ 191,276	\$ 40,490	\$ 231,766

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets –
Governmental Funds**

June 30, 2011

Expressions Learning Arts Academy

Fund Balances – Total Governmental Funds	\$ 230,340
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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>62,909</u>
--	---------------

Net Assets of Governmental Activities	<u><u>\$ 293,249</u></u>
--	--------------------------

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2011
Expressions Learning Arts Academy**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
State Revenue:			
Florida Education Finance Program	\$ 545,747	\$ --	\$ 545,747
Public Education Capital Outlay	--	35,166	35,166
Other State Revenue	19,955	--	19,955
Local Revenue:			
Fundraising and Gifts	64,743	--	64,743
Interest Income	880	--	880
Total Revenues	631,325	35,166	666,491
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instructional	388,957	--	388,957
Instructional Support Services	705	--	705
General Support	234,541	--	234,541
Capital Outlay	--	55,400	55,400
Total Expenditures	624,203	55,400	679,603
Net Change in Fund Balance	7,122	(20,234)	(13,112)
Fund Balances, July 1, 2010	182,728	60,724	243,452
Fund Balances, June 30, 2011	\$ 189,850	\$ 40,490	\$ 230,340

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, 2011
Expressions Learning Arts Academy**

Excess of Revenues over (under) Expenditures – Total Governmental Funds (13,112)

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	8,120
Current Year Depreciation Expense	<u>(7,060)</u>

Change in Net Assets of Governmental Activities (12,052)

See accompanying notes.

Notes to the Financial Statements
June 30, 2011
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; 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.

Notes to the Financial Statements

June 30, 2011

Expressions Learning Arts Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and Capital Projects Fund are both 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.

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, 2011, there was no amount in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

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

Notes to the Financial Statements
June 30, 2011
Expressions Learning Arts Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, if any, are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

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.

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Notes to the Financial Statements
June 30, 2011
Expressions Learning Arts Academy

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Balance Classifications (Concluded)

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

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 – 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 the current and previous two years.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets:				
Buildings	\$ 3,529	\$ --	\$ --	\$ 3,529
Leasehold Improvements	60,620	6,900	--	67,520
Improvements	19,726	--	--	19,726
Furniture, Fixtures & Equipment	31,499	1,220	--	32,719
Total Capital Assets	<u>115,374</u>	<u>8,120</u>	<u>--</u>	<u>123,494</u>
Accumulated Depreciation:				
Buildings	1,234	235	--	1,469
Leasehold Improvements	21,903	3,108	--	25,011
Improvements	8,064	1,315	--	9,379
Furniture, Fixtures & Equipment	22,324	2,402	--	24,726
Total Accumulated Depreciation	<u>53,525</u>	<u>7,060</u>	<u>--</u>	<u>60,585</u>
Net Capital Assets	<u>\$ 61,849</u>	<u>\$ 1,060</u>	<u>\$ --</u>	<u>\$ 62,909</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 5,574
General Support	<u>1,486</u>
Total Depreciation Expense	<u>\$ 7,060</u>

NOTE 4 – LEASES

Effective July 2007, the School entered into an operating lease for the School property. The lease is effective through June 30, 2012. The lease expense for the year ended June 30, 2011 was \$46,800. Future minimum lease payments are as follows:

Year Ending June 30,	
2012	\$ 46,800
Total	<u>\$ 46,800</u>

Notes to the Financial Statements
June 30, 2011
Expressions Learning Arts Academy

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The Board of Directors of the School has established a defined contribution SIMPLE IRA retirement plan covering all employees with at least \$5,000 compensation in the calendar year. The plan is administered by a mutual fund company. Participants may elect to defer a portion of their salaries to be invested in the plan. The tax law specifies an annual dollar limit on employee contributions. The School must match these contributions up to a limit of three percent of the employee's compensation. Participants are fully vested in all contributions. For the year ended June 30, 2011, the employees contributed \$11,087 and the School contributed \$8,910. For the year ended June 30, 2010, the employees contributed \$13,514 and the School contributed \$8,955. For the year ended June 30, 2009, the employees contributed \$12,959 and the School contributed \$8,502.

The Board of Directors has the authority to amend or terminate the plan although it has expressed no intention to do so.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2011
Expressions Learning Arts Academy

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Revenue:				
Florida Education Finance Program	\$ 539,904	\$ 545,747	\$ 545,747	\$ --
Other State Revenue	1,600	19,955	19,955	--
Local Revenue:				
Fundraising & Gifts	54,000	64,743	64,743	--
Interest Income	1,000	880	880	--
Total Revenues	<u>596,504</u>	<u>631,325</u>	<u>631,325</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	396,240	388,957	388,957	--
Instructional Support Services	1,933	705	705	--
General Support	224,650	234,541	234,541	--
Total Expenditures	<u>622,823</u>	<u>624,203</u>	<u>624,203</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	(26,319)	7,122	7,122	--
Fund Balances, July 1, 2010	<u>182,728</u>	<u>182,728</u>	<u>182,728</u>	<u>--</u>
Fund Balances, June 30, 2011	<u>\$ 156,409</u>	<u>\$ 189,850</u>	<u>\$ 189,850</u>	<u>\$ --</u>

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.

A Certified Public Accounting Firm Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 30, 2011

To the Board of Directors
Expressions Learning Arts Academy

We have audited the financial statements of Expressions Learning Arts Academy (the School) for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no material adjustments and no uncorrected misstatements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This information is intended solely for the use of management and the board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

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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 fiscal year ended June 30, 2011, and have issued our report thereon dated August 30, 2011.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Prior Audit Findings. The Rules of the Auditor General require 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 that regard, there were no findings reported in the prior year.

Recommendations to Improve Financial Management. Rules of the Auditor General require that we address any recommendations to improve financial management. We did not have any such recommendations.

Immaterial Noncompliance. Rules of the Auditor General require that we address violations of laws, regulations, contract or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. We did not have any such findings.

Other Matters. Section 10.854(1)(e)4, Rules of the Auditor General, provides that the auditor may report other matters that are inconsequential to the determination of financial statement amounts. There are no other matters that, based on our professional judgment, will be included in this management letter.

Name. The name or official title of the School is Expressions Learning Arts Academy, Inc.

Financial Emergency. Rules of the Auditor General require a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. We determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment. Rules of the Auditor General require that we apply financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. We did not identify deteriorating financial conditions.

* * * * *

Pursuant to Chapter 119, Florida Statutes, the management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Board of Directors of the School, 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 30, 2011
Gainesville, Florida

Kattell and Company, P.L.

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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, Inc. (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the School's internal control 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. 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School's management and Board of Directors, 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 30, 2011
Gainesville, Florida



Expressions Learning Arts Academy

"Academic Excellence Enhanced by the Arts"

5408 S.W. 13th Street ♦ Gainesville, FL 32608
Phone 352-373-5223 ♦ Fax 352-373-6327
Website: expressionsacademy.org

August 30, 2011

Kattell & Company, P.L.
Certified Public Accountants
808 B NW 16th Ave.
Gainesville, Florida 32601

Dear Ladies and Gentlemen;

On behalf of the Board of Directors of Expressions Learning Arts Academy, Inc., I wish to thank you for the thorough and accurate audit of our twelfth year of operation. We have reviewed your report and are pleased that no findings were noted.

We look forward to working with you in the future.

Sincerely,

Cheryl Valantis, Principal
Expressions Learning Arts Academy