

CROSSROAD ACADEMY CHARTER SCHOOL

**(A DIVISION OF COMMUNITY AND
ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)**

FINANCIAL STATEMENTS

JUNE 30, 2007

RECEIVED

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AUDITOR GENERAL

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
JUNE 30, 2007**

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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Crossroad Academy Charter School:

We have audited the accompanying special purpose financial statements of Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1(c) to the special purpose financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes (2006), and Section 10.856(2), Rules of the Auditor General for Audits of Charter Schools and Similar Entities, and are intended to present the financial position and the changes in net assets and its cash flows of only that portion of the financial reporting entity of Community and Economic Development Organization of Gadsden County, Inc. that is attributable to the transactions of Crossroad Academy Charter School. These financial statements do not purport to, and do not, present fairly the financial position of Community and Economic Development Organization of Gadsden County, School as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Academy Charter School as of June 30, 2007 and the changes in net assets and its cash flows for the year then ended in conformity with the basis of accounting described in Note 1(c).

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, on our consideration of Crossroad Academy Charter 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.

James Moore & Co., P.L.

Tallahassee, Florida
September 4, 2007

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

ASSETS

Current assets	
Cash and cash equivalents	\$ 564,003
Due from Gadsden County School Board	373,104
Due from other agencies	3,820
Due from related parties	32,697
Prepaid expenses	6,837
Total current assets	980,461
 Restricted assets	
Cash for capital outlay	351,120
 Property and equipment, net of accumulated depreciation of \$145,652	
	262,627
 Total Assets	 \$ 1,594,208

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 149,911
Current portion of long-term debt	911
Due to related parties	566
Deferred revenue	641,200
Total current liabilities	792,588
 Net assets, unrestricted	 801,620
 Total Liabilities and Net Assets	 \$ 1,594,208

The accompanying notes to special purpose financial statements
are an integral part of this statement.

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Support and revenues	
Grant and program income	<u>\$ 1,021,604</u>
Expenses	
Basic instruction	465,216
Instructional media services	3,268
Instructional staff training	4,759
Food services	35,778
School administration	157,971
Information services	4,315
Operation of plant	48,591
Maintenance of plant	29,449
Administrative	108,796
Total expenses	<u>858,143</u>
Increase in unrestricted net assets	<u>163,461</u>
Net assets, unrestricted, beginning of year	638,159
Net assets, unrestricted, end of year	<u><u>\$ 801,620</u></u>

The accompanying notes to special purpose financial statements
are an integral part of this statement.

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
Increase (Decrease) in Cash and Cash Equivalents**

Cash flows from operating activities	
Cash received from grantors, programs and other	\$ 981,885
Cash paid to suppliers and employees	(742,441)
Interest paid	(184)
Net cash provided by operating activities	<u>239,260</u>
 Cash flows from investing activities	
Purchases of property and equipment	(2,485)
 Cash flows from financing activities	
Payments on long-term debt	(3,499)
 Net increase in cash and cash equivalents	<u>233,276</u>
 Cash and cash equivalents, beginning of year	681,847
 Cash and cash equivalents, end of year	<u><u>\$ 915,123</u></u>
 Reconciliation of increase in unrestricted net assets to net cash provided by operating activities:	
Increase in unrestricted net assets	<u>\$ 163,461</u>
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation	26,800
Decrease in prepaid expenses	3,714
Increase in due from Gadsden County School Board	(137,664)
Increase in due from related parties	(10,620)
Increase in accounts payable and accrued expenses	90,014
Decrease in due to related parties	(5,010)
Increase in due from other agencies	(3,820)
Increase in deferred revenue	112,385
Total adjustments	<u>75,799</u>
 Net cash provided by operating activities	<u><u>\$ 239,260</u></u>

The accompanying notes to special purpose financial statements
are an integral part of this statement.

CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Crossroad Academy Charter School (“the Organization”) which affect significant elements of the accompanying financial statements:

- (a) **Purpose of Crossroad Academy Charter School**—Crossroad Academy Charter School was formed to provide a year round, alternative educational system to assist “at risk” students in preparing academically, socially, and culturally to be responsible participants in our society.
- (b) **Basis of Accounting**—The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.
- (c) **Basis of Presentation**—The financial statements were prepared solely for the purpose of complying with Chapter 10.850, Rules of the Auditor General of the State of Florida, and are not intended to be a complete presentation of Community and Economic Development Organization of Gadsden County, Inc. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- (d) **Property and Equipment**—Property and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal Government has a reversionary interest in those assets purchased with its funds which have cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to thirty nine years.
- (e) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and certificates of deposit with original maturities of less than ninety days.
- (f) **Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007**

(1) **Summary of Significant Accounting Policies:** (Continued)

- (g) **Income Taxes**—The Organization is generally exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.
- (h) **Advertising**—The Organization expenses advertising as incurred.
- (i) **Receivables**—Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with those having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(2) **Concentrations of Credit Risk:**

- (a) **Demand Deposits with Bank**—The Organization maintains cash deposits with banks. The Organization has no policy requiring collateral to support its cash deposits, although accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$100,000.
- (b) **Receivables**—The Organization’s receivables are for amounts due under contracts with the State of Florida and Federal and local government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(3) **Significant Funding Source:**

The Organization receives a substantial amount of its funding from the Gadsden County School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization’s programs and activities.

(4) **Property and Equipment:**

Property and equipment consists of the following at June 30, 2007:

Land	\$	207,585
Leasehold improvements		9,075
Computer equipment		141,549
Furniture and equipment		37,233
Vehicles		12,837
		408,279
Less: accumulated depreciation		145,652
		\$ 262,627

**CROSSROAD ACADEMY CHARTER SCHOOL
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT
ORGANIZATION OF GADSDEN COUNTY, INC.)
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007**

(5) Transactions with Related Parties:

The Organization had the following related party receivable/payable at June 30, 2007.

Due from related parties	
Due from Community and Economic Development Organization of Gadsden County, Inc.	\$ 28,637
Due from Triple Oaks Apartments	4,060
Total due from related parties	<u>\$ 32,697</u>
Due to related parties	
Due to Vanguard Village Apartments	<u>\$ 566</u>

(6) Long-term Debt:

Long-term debt consisted of the following at June 30, 2007:

6.50% note payable to bank, payable in monthly installments of \$307, including interest, collateralized by vehicle	\$ 911
Less: current portion of long-term debt	<u>911</u>
Long-term debt, less current portion	<u>\$ -</u>

At June 30, 2007, note payable maturities were as follows:

<u>Year</u>	
2008	\$ 911
2009	-
2010	-
2011	-
2012	-
Total	<u>\$ 911</u>

(7) Deferred Revenue:

The deferred revenue balance of \$641,200 represents monies received and due from Gadsden County School Board for the purpose of future capital outlay.

(8) Defined Contribution Plan:

The Organization offers a defined contribution pension plan. For the year ended June 30, 2007, the amount of retirement expense was \$90,000.

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Crossroad Academy Charter School:

We have audited the special purpose financial statements of Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 4, 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 Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) 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 that might be significant deficiencies or material weaknesses as defined below. 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 the 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 a combination of control deficiencies, that adversely affects Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) 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 misstatement of Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) financial statements that is more than inconsequential will not be prevented or detected by Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) internal control. We consider the following to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements- A system of internal control over financial reporting should allow the Organization to prepare financial statements, including note disclosures in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the Organization is not positioned to draft the financial statements and all required disclosures in accordance with generally accepted accounting principles. Presently, as is common to many organizations, management relies on the audit firm to draft the financial statements and related disclosures. For subsequent audits, management may wish to take a more active role in the drafting of the financial statements and related disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) 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 internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crossroad Academy Charter School's (a division of Community and Economic Development Organization of Gadsden County, Inc.) special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also noted certain matters that we reported to management of the Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.), in a separate "Management Letter Required by Chapter 10.850, Rules of the State of Florida, Office of the Auditor General" dated September 4, 2007.

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

James Moore & Co., P.L.C.

Tallahassee, Florida
September 4, 2007

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors,
Crossroad Academy Charter School:

We have audited the special purpose financial statements of Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 4, 2007.

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, based on an Audit of Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*, dated September 4, 2007, that report, if any, 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.

The Rules of the Auditor General (Section 10.854 (1)(d)1) 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. There were no significant findings and recommendations made in the preceding annual financial audit report, not otherwise addressed in the auditors report pursuant to Rule 10.856(2)(b)2.

The Rules of the Auditor General (Section 10.854 (1)(d)2) require that we comment as to whether the Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. The Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) does not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.854 (1)(d)3) require that we make recommendations to address deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes. Our audit disclosed no matters required to be disclosed by the Rules of the Auditor General (Section 10.854 (1)(d)3).

The Rules of the Auditor General require disclosure in the management letter of the following matters that are inconsequential to the financial statements considering both quantitative and qualitative if not already addressed in the auditors' report on the internal control and compliance: violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred, and were discovered within the scope of the financial audit; improper expenditures discovered within the scope of the financial audit; deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures and internal controls. Our audit disclosed no matters required to be disclosed by the Rules of the Auditor General (Sections 10.854 (1)(d)4).

The Rules of the Auditor General require that we state that there were no findings or recommendations disclosed above.

The Rules of the Auditor General also require that the name or official title and legal authority for the charter school be disclosed in the management letter. Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) was formed August 6, 1998 by the Community and Economic Development Organization of Gadsden County, Inc.

This management letter is intended solely for the information and use of management, the Board of Directors and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified users.

James Moore & Co., P.L.

Tallahassee, Florida
September 4, 2007