

NEW ROAD TO LEARNING, INC.
D/B/A JACQUELINE HARRIS PREPARATORY ACADEMY

A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2007

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Hurd & Finley

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Road to Learning, Inc. d/b/a Jacqueline
Harris Preparatory Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy (the School), a component unit of the Escambia County District School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy'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.

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 New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

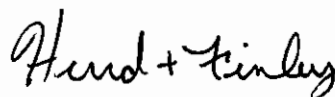
In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2007, on our consideration of New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

Independent Auditors' Report - Continued

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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedule - General Fund on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The Budgetary Comparison Schedule - Capital Projects Fund on page 26, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule - Capital Projects Fund has not been subjected the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



HURD & FINLEY, P.A.
Certified Public Accountants

August 7, 2007

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

As management of New Road to Learning, (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, and (d) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- As of June 30, 2007, the School's governmental funds reported combined ending fund balances of \$(7,352), an increase of \$20,084 in comparison with prior year.
- At the end of the year ended June 30, 2007, unrestricted balance for the general fund was \$(7,352).

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, and 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
(Continued)

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by the Escambia County District School Board (the District), state, and federal funding (governmental activities). The governmental activities of the School include instruction and basic, instruction and curriculum development, instructional staff training, board, school administration, fiscal services, food services, pupil transportation services, operation of plant, maintenance of plant, and principal and interest on long-term debt.

The government-wide financial statements can be found on pages 9 and 10 of the Basic Financial Statements.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Government funds - Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
(Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 11 and 13 of the Basic Financial Statements.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 24 of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed financial information - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
(Continued)

	<u>2007</u>	<u>2006</u>
Total assets, excluding capital assets	\$ 263,055	\$ 90,725
Capital assets	<u>525,750</u>	<u>609,308</u>
Total assets	<u>788,805</u>	<u>700,033</u>
Total liabilities, excluding long-term liabilities	270,407	118,162
Long-term liabilities	<u>380,520</u>	<u>421,201</u>
Total liabilities	<u>650,927</u>	<u>539,363</u>
Net assets invested in capital assets, net of related debt	145,230	188,107
Unrestricted net assets	<u>(7,352)</u>	<u>(27,437)</u>
Total net assets	<u>137,878</u>	<u>160,670</u>
Total liabilities and net assets	<u>788,805</u>	<u>700,033</u>
General revenues:		
District	1,240,741	1,137,295
Other	<u>2,169</u>	<u>8,716</u>
Total revenues	<u>1,242,910</u>	<u>1,146,011</u>
Program expenses:		
Instructional	534,847	409,898
Board	627	173
School administration	269,218	218,983
Fiscal services	45,900	43,950
Food services	16,576	10,990
Pupil transportation services	112,899	117,347
Operation of plant	190,385	191,596
Maintenance of plant	15,932	22,967
Interest on long-term debt	<u>79,319</u>	<u>118,880</u>
Total expenses	<u>1,265,703</u>	<u>1,134,784</u>
Change in net assets	<u>\$(22,793)</u>	<u>\$ 11,227</u>

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
(Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2007, the School's governmental funds reported combined ending fund balances of \$(7,352).

BUDGETARY HIGHLIGHTS

The School made various amendments to the original budget during the year based on changes in expected funding sources and expenditures. The most significant budgetary amendments were to increase the budget for other financing sources and for facilities acquisition and construction, instruction, school administration, and pupil transportation expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The School's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$525,750 (net of accumulated depreciation). This investment in capital assets includes buildings and fixed equipment, improvements and furniture, fixtures and equipment.

Debt - The School's long-term debt consists of \$380,520 due under capital lease obligations. This amount is payable with future financial resources and is therefore shown as a reconciling item from the governmental funds balance sheet to the statement of net assets.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
(Continued)

ECONOMIC FACTORS

Funding from the District according to the number of students enrolled primarily supports the School.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to New Road to Learning, Inc., 1408 East Blount Street, Pensacola, Florida 32503.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 206,586
Due from primary government	8,670
Accounts receivable	37,183
Prepaid expenditures	10,000
Deposits receivable	616
Capital assets, net of accumulated depreciation of \$367,753	525,750
Total assets	\$ 788,805

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 13,931
Accrued liabilities	137,706
Deferred revenue	118,770
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligation	46,297
Portion due or payable after one year:	
Capital lease obligation	334,223
Total liabilities	650,927
Net assets	
Invested in capital assets, net of related debt	145,230
Unrestricted	(7,352)
Total net assets	137,878
Total liabilities and net assets	\$ 788,805

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
STATEMENT OF ACTIVITIES
June 30, 2007

	<u>Expense</u>	<u>Program Revenue</u>		<u>Net</u>
		<u>Operating</u>	<u>Charges</u>	<u>(Expense)</u>
		<u>Grants</u>	<u>for</u>	<u>Revenue and</u>
		<u>and</u>	<u>Services</u>	<u>Change in</u>
		<u>Contri-</u>		<u>Net Assets</u>
		<u>butions</u>		
Functions:				
Governmental activities:				
Instructional and basic (FEFP K-12)	\$ 529,467	\$ -0-	\$ -0-	\$(529,467)
Instruction and curriculum development	5,380	-0-	-0-	(5,380)
Board	627			(627)
School administration	269,218	-0-	-0-	(269,218)
Fiscal services	45,900	-0-	-0-	(45,900)
Food services	16,576			(16,576)
Pupil transportation services	112,899	-0-	-0-	(112,899)
Operation of plant	190,385	-0-	-0-	(190,385)
Maintenance of plant	15,932	-0-	-0-	(15,932)
Interest on long-term debt	<u>79,319</u>	<u>-0-</u>	<u>-0-</u>	<u>(79,319)</u>
Total governmental activities	<u>\$1,265,703</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(1,265,703)</u>
General revenues:				
State aid -				
Formula grants				\$ 1,021,775
Capital outlay				129,670
Federal Grants				89,296
Operating Revenue				<u>2,169</u>
Total general revenues				<u>1,242,910</u>
Change in net assets				(22,793)
Net assets at July 1, 2006				<u>160,671</u>
Net assets at June 30, 2007				<u>\$ 137,878</u>

The accompanying notes are an integral part of these financial statements.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

ASSETS

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Govern- mental Funds</u>
Cash and cash equivalents	\$206,586	\$ -0-	\$206,586
Due from primary government	8,670	-0-	8,670
Accounts receivable	37,183	-0-	37,183
Prepaid expenditures	10,000	-0-	10,000
Deposits receivable	<u>616</u>	<u>-0-</u>	<u>616</u>
 Total assets	 <u>\$263,055</u>	 <u>\$ -0-</u>	 <u>\$263,055</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 13,931	\$ -0-	\$ 13,931
Accrued liabilities	137,706	-0-	137,706
Deferred revenue	<u>118,770</u>	<u>-0-</u>	<u>118,770</u>
 Total liabilities	 <u>270,407</u>	 <u>-0-</u>	 <u>270,407</u>
 Fund balances:			
Undesignated	<u>(7,352)</u>	<u>-0-</u>	<u>(7,352)</u>
 Total liabilities and fund balances	 <u>\$263,055</u>	 <u>\$ -0-</u>	 <u>\$263,055</u>

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances - governmental funds \$(7,352)

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

Capital assets used in governmental
activities are not financial
resources and therefore are not
reported as assets in the
governmental funds. The cost of
the assets is \$998,078 and the
accumulated depreciation is
\$472,328. 525,750

Long-term liabilities are not due
and payable in the current period
and therefore are not reported as
liabilities in the funds. (380,520)

Total net assets - governmental
activities \$ 137,878

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Govern- mental Funds</u>
Revenues:			
Intergovernmental	\$1,111,071	\$ 129,670	\$1,240,741
Other	<u>2,169</u>	<u>-0-</u>	<u>2,169</u>
 Total revenues	 <u>1,113,240</u>	 <u>129,670</u>	 <u>1,242,910</u>
 Expenditures:			
Current - Education:			
Instructional and basic (FEFP K-12)	529,467	9,078	538,545
Instruction and curriculum development	5,380	-0-	5,380
Board	627	-0-	627
School administration	269,218	1,518	270,736
Fiscal services	45,900	-0-	45,900
Food services	16,576	-0-	16,576
Pupil transportation services	112,899	-0-	112,899
Operation of plant	85,810	-0-	85,810
Maintenance of plant	15,932	10,421	26,353
Debt Service:			
Principal	30,146	10,535	40,681
Interest	<u>69,872</u>	<u>9,447</u>	<u>79,319</u>
 Total expenditures	 <u>1,181,827</u>	 <u>40,999</u>	 <u>1,222,826</u>
 Net Change in Fund Balances	 (68,587)	 88,671	 20,084
Fund Balances at July 1, 2006	<u>61,235</u>	<u>(88,671)</u>	<u>(27,436)</u>
Fund Balances at June 30, 2007	<u>\$(7,352)</u>	<u>\$ -0-</u>	<u>\$(7,352)</u>

The accompanying notes are an integral part of these financial statements.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity:

New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy (the School or the Academy) 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 governing body of the School is the Board of Trustees.

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 Escambia County District School Board. The current charter is effective until June 30, 2009, and may be renewed for additional terms as prescribed by Section 1002.33, Florida Statutes. The School is considered a component unit of the Escambia County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the School's 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 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 and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Financial Statement Presentation:

The accompanying financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements (GFWS):

The government-wide financial statements are prepared 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.

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the Academy. Program revenues reduce the cost of the function to be financed from the Academy's general revenues.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements (FFS) - Governmental Funds:

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant 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. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The School reports the following major governmental funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Academy. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the General Fund.

Short-term Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as due from other funds or due to other funds on the FFS balance sheet.

New Road to Learning, Inc.
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A Component Unit of
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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.

Capital Assets:

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on estimated useful lives of ten years for building and fixed equipment and five to ten years for improvements and furniture, fixtures and equipment.

Long-Term Debt:

All long-term debt is recorded as liabilities in the GWFS when incurred. Principal and interest payments are recorded as expenditures in the General Fund or Capital Projects Fund in the FFS with a corresponding reduction in the liability in the GWFS for the amount of the principal payment.

New Road to Learning, Inc.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes:

The School is exempt from income taxes under Internal Revenue Service Code Section 501(c)(3) and similar state statutes. As a result, there is no provision for taxes in the accompanying financial statements.

Revenue Sources:

The School's primary revenue source is the Escambia County District School Board (the District). Pursuant to the provision of the School's charter and Florida Statutes Section 1002.33, the School reports full time equivalents (FTEs) to the District. The District, under Florida Statute Section 1011.62 then reports the number of FTEs to the Florida Department of Education for funding under the Florida Education Finance Program. The District retains a 5% administration charge from the total FTE funding attributed to the School, therefore actual revenue recorded by the School represents the remaining 95% of FTE funding. School revenue is adjusted during the year to reflect changes in the number of FTEs.

The School also receives Federal and State awards for the enhancement of various educational programs and facilities. Federal and State awards are generally received based on applications submitted to and approved by various granting agencies.

During the year ended June 30, 2007, the School received \$129,670 under the provisions of Florida Statutes Section 1013.62, which provides for capital outlay funding for charter schools. Awards received from the capital outlay program are made from funds appropriated by Legislature and may be used for any capital outlay purpose that is directly related to the functioning of the charter school.

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Risk Management Programs

Automobile liability, general liability, property, employee bond, and workers' compensation coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks has not exceed commercial coverage for the last three years.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the total expenditures level.

During the year ended June 30, 2007, the School's actual expenditures in the General Fund and in the Capital Project Fund exceeded the total budgeted expenditures by \$15,552 and \$40,999 respectively.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the School's deposits was \$206,513, and the bank balance was \$206,513, all of which was held by qualified public depositories under Chapter 280, Florida Statutes. As such, these deposits are considered to be fully insured.

New Road to Learning, Inc.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - CAPITAL ASSETS

Changes in capital assets were as follows:

Governmental activities:

	Balance July 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2007</u>
Buildings and fixed Equipment	\$520,000	\$ 6,280	\$ -0-	\$526,280
Improvements	339,084	-0-	-0-	339,084
Furniture, fixtures and equipment	<u>117,977</u>	<u>14,737</u>	<u>-0-</u>	<u>132,714</u>
Total at historical costs	<u>977,061</u>	<u>21,017</u>	<u>-0-</u>	<u>998,078</u>
Less accumulated depreciation and amortization:				
Buildings and fixed equipment	195,000	52,622	-0-	247,622
Improvements	108,997	34,033	-0-	143,030
Furniture, fixtures and Equipment	<u>63,756</u>	<u>17,920</u>	<u>-0-</u>	<u>81,676</u>
Total accumulated depreciation and Amortization	<u>367,753</u>	<u>104,575</u>	<u>-0-</u>	<u>472,328</u>
Capital assets, net	<u>\$609,308</u>	<u>\$ (83,558)</u>	<u>\$ -0-</u>	<u>\$525,750</u>

Depreciation expense was charged to governmental activities

Operation of plant \$ 104,575
as follows:

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June 30, 2007

NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due Within One Year</u>
Capital lease obligation	<u>\$421,201</u>	<u>-0-</u>	<u>40,681</u>	<u>380,520</u>	<u>46,297</u>

During the year ended June 30, 2003, the School entered into a capital lease, for a term of 120 months, for the School building facility. See Note 8.

Maturities of the note payable and capital lease obligation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 46,297	\$ 73,703	\$ 120,000
2009	52,687	67,313	120,000
2010	59,960	60,040	120,000
2011	68,236	51,764	120,000
Thereafter	<u>153,340</u>	<u>79,123</u>	<u>232,463</u>
	<u>\$ 380,520</u>	<u>\$ 331,943</u>	<u>\$ 712,463</u>

New Road to Learning, Inc.
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June 30, 2007

NOTE 5 - SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

Escambia County District School Board:	
Florida Education Finance Program	\$1,021,775
Capital outlay	129,670
Federal through State	89,296
Other	<u>2,169</u>
Total	<u>\$1,242,910</u>

NOTE 6 - CONTINGENCIES

Capital Outlay Funding:

As stated in Note 1, the School receives charter school capital outlay funding. The disbursement of funds received under this program is subject to review and audit by awarding agencies, and these funds are restricted to use for lawful capital outlay expenditures only. Any disbursements disallowed by the awarding agency could become liabilities of the School. In the event the School terminates operation, all unencumbered funds and all equipment and property purchased with capital outlay funds revert back to the ownership of the Escambia County District School Board.

NOTE 7 - ACCRUED LIABILITIES

Accrued expenses include \$110,868 payable to an employee leasing company. Prior to June 30, 2003, a portion of the payroll for JHPA employees was reimbursed to the leasing company by the Escambia County School District from Title I funds. The School District was billed directly by the employee leasing company for Title I reimbursement. Unbeknownst to management of JHPA, beginning July 1, 2003, Title I funds were no longer available to reimburse the employee leasing company for salaries paid to JHPA employees. However, the employee leasing company continued to pay the employees and continued to bill the School District for Title I reimbursement. The School District did not reimburse the employee leasing company and that company did not notify JHPA of the unpaid amounts. JHPA terminated its contract

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June 30, 2007

NOTE 7 - ACCRUED LIABILITIES - CONTINUED

with the employee leasing company in February 2004, and learned of the unpaid liability in June 2004, when the employee leasing company notified management of JHPA of the amount due. Management of JHPA has contested the liability and will continue to negotiate with the employee leasing company to abate the amount due. No interest has been accrued.

NOTE 8 - RELATED PARTIES

In October 2002, the School entered into a lease agreement with Creative Projects, LLC, a limited liability company of which the executive director of the School and a separate company, which the executive director controls, are managing members, for the use of a different facility. Lease payments are \$10,000 per month for 12 years. The lease meets the requirements for capital leases and, as such, is recorded as a capital lease. The executive director obtained a letter from a local realtor which stated the lease costs, \$5.10 per square foot, was "very reasonable for a renovated building with the central location that it has." In September 2004, the lease payment was modified to \$7,756 per month from October 2004 through November 2007.

NOTE 9 - IN-KIND

The Escambia County District School Board provided to the School \$89,296 of supplies, services and equipment which were paid from Title I funds.

New Road to Learning, Inc.
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BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	<u>Original Budget</u>	<u>Final Budget</u>		<u>able)</u>
Revenues:				
Intergovernmental	\$ 1,078,318	\$ 1,078,318	\$ 1,111,071	\$ 32,753
Other	-0-	-0-	2,169	2,169
Total revenues	<u>1,078,318</u>	<u>1,078,318</u>	<u>1,113,240</u>	<u>34,922</u>
Expenditures:				
Current - Education:				
Instructional and basic (FEFP K-12)	523,815	523,815	529,467	(5,652)
Instruction and curriculum development	4,500	4,500	5,380	(880)
Board	-0-	-0-	627	(627)
School administration	242,400	242,400	269,218	(26,818)
Fiscal services	45,000	45,000	45,900	(900)
Food services	10,500	10,500	16,576	(6,076)
Pupil transportation Services	118,920	118,920	112,899	6,021
Operation of plant	89,140	89,140	85,810	3,330
Maintenance of plant	12,000	12,000	15,932	(3,932)
Debt service:				
Principal	-0-	-0-	30,146	(30,146)
Interest	120,000	120,000	69,872	50,128
Total expenditures	<u>1,166,275</u>	<u>1,166,275</u>	<u>1,181,827</u>	<u>(15,552)</u>
Net change in fund balance	(87,957)	(87,957)	(68,587)	19,370
Fund balance at July 1, 2006	<u>61,235</u>	<u>61,235</u>	<u>61,235</u>	<u>-0-</u>
Fund balance at June 30, 2007	<u>\$(26,722)</u>	<u>\$(26,722)</u>	<u>\$(7,352)</u>	<u>\$ 19,370</u>

New Road to Learning, Inc.
d/b/a Jacqueline Harris Preparatory Academy
A Component Unit of
The Escambia County District School Board
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECT FUND
June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavor- able)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 129,670	\$ 54,670
Expenditures:				
Capital Outlay:				
Instructional and basic(FEFP K-12)	-0-	-0-	9,078	(9,078)
School administration	-0-	-0-	1,518	(1,518)
Maintenance of plant	-0-	-0-	10,421	(10,421)
Debt service:				
Principal payments	-0-	-0-	10,535	(10,535)
Interest payments	-0-	-0-	9,447	(9,447)
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>40,999</u>	<u>(40,999)</u>
Net change in fund balance	75,000	75,000	88,671	13,671
Fund balance at July 1, 2006	<u>(88,671)</u>	<u>(88,671)</u>	<u>(88,671)</u>	<u>-0-</u>
Fund balance at June 30, 2007	<u><u>\$(13,671)</u></u>	<u><u>\$(13,671)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 13,671</u></u>

Hurd & Finley

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
New Road to Learning, Inc. d/b/a Jacqueline
Harris Preparatory Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of New Road to Learning, Inc. d/b/a Jacqueline Harris Preparatory Academy (the school) as of and for the year ended June 30, 2007, which collectively comprise the school's financial statements and have issued our report thereon dated August 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

To the Board of Trustees - continued

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described as follows:

2007-1 Compliance With Charter Contract

CRITERIA: The school operates under a charter agreement with the Escambia County School Board. This charter lists certain items with which the school must comply. The school's charter contract was amended effective July 1, 2006. The amendment includes changes to the charter that included a conflict of interest clause which states that public funds cannot be used to lease property from an officer or employee.

CONDITION: The school has a long-term lease with Creative Projects, LLC for the school building. The executive director of the school is a member of Creative Projects, LLC. This condition has existed since October 2002, and has been disclosed in the notes to the school's financial statements.

To the Board of Trustees - continued

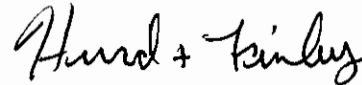
CAUSE: The amendment to the charter contract had modifications that affected the school and those modifications were not noticed and not contested by management.

EFFECT: The school is not in compliance with the charter provisions from the start of the new contract term.

RECOMMENDATION: Management should review all contracts and resolve any potential issues before entering into such agreements. Management should also monitor compliance with contract provisions during the year.

MANAGEMENTS RESPONSE: In reference to the conflict regarding the building at 1408 East Blount Street, at the time of purchase all documents were reviewed before the closing and at the time of closing, and were signed by both parties.

This report is intended solely for the information and use of the Board of Trustees, Management, The Escambia County School Board and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



HURD & FINLEY, P.A.
Certified Public Accountants

August 7, 2007

Hurd & Finley

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
New Road to Learning, d/b/a Jacqueline
Harris Preparatory Academy

We have audited the financial statements of New Road to Learning, d/b/a Jacqueline Harris Preparatory Academy, (a component unit of the Escambia County School District School Board) whose headquarters is located in Pensacola, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 7, 2007.

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* dated August 7, 2007. Disclosures in the 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 that require 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 or not significant findings and recommendations reported in the preceding annual financial audit report have been corrected. The School contacted the District School Board regarding the prior year compliance finding, however, the charter agreement has not been amended. The School has also been able to reduce its deficit in unreserved fund balance noted in the prior audit.

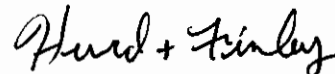
The Rules of the Auditor General (Section 10.854 (1)(d) 2 and 3.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on internal control and compliance: recommendation to improve financial management, accounting procedures, and internal controls; violations of laws, rules and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the

To the Board of Trustees - continued

financial statements; improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. In connection with our audit, we determined the School met the condition described in Section 218.503 (1) (e), Florida Statutes. The School reported a deficit in unreserved fund balance of \$7,352 as of June 30, 2007. The financial emergency condition met was not a result of deteriorating financial conditions.

The Rules of the Auditor General (Section 10.854 (1)(d) 5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for New Road to Learning, d/b/a Jacqueline Harris Preparatory Academy is disclosed in the notes to the financial statements.

This management letter is intended solely for the information and use of New Road to Learning, d/b/a Jacqueline Harris Preparatory Academy, the Escambia County District School Board, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



HURD & FINLEY, P.A.
Certified Public Accountants

August 7, 2007