

**CROSSROAD ACADEMY CHARTER SCHOOL**  
**(A DIVISION OF COMMUNITY AND  
ECONOMIC DEVELOPMENT  
ORGANIZATION OF GADSDEN COUNTY, INC.)**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**CROSSROAD ACADEMY CHARTER SCHOOL**  
**(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT**  
**ORGANIZATION OF GADSDEN COUNTY, INC.)**  
**JUNE 30, 2009**

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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, 2009, 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, 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, Inc. as of June 30, 2009 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 Crossroad Academy Charter School as of June 30, 2009 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 August 10, 2009, 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.

Brooks, Harrison & Cayer

Tallahassee, Florida  
August 10, 2009

**CROSSROAD ACADEMY CHARTER SCHOOL  
(A DIVISION OF COMMUNITY AND ECONOMIC DEVELOPMENT  
ORGANIZATION OF GADSDEN COUNTY, INC.)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009**

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 1,067,501
Due from Gadsden County School Board	25,518
Prepaid expenses	27,660
Total current assets	1,120,679
 <b>Restricted assets</b>	
Cash for capital outlay	289,513
Cash for PTO and student activities	13,909
Certificate of deposit for capital outlay	250,000
Total restricted assets	553,422
 <b>Property and equipment, net of accumulated depreciation of \$195,484</b>	
	1,703,326
 <b>Total Assets</b>	 \$ 3,377,427

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>	
Current portion of notes payable	\$ 722,804
Accounts payable and accrued expenses	424,880
Retainage payable	105,474
Deferred revenue	539,512
Total current liabilities	1,792,670
 <b>Notes payable, less current portion</b>	
	-
 <b>Net assets, unrestricted</b>	
	1,584,757
 <b>Total Liabilities and Net Assets</b>	 \$ 3,377,427

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, 2009**

<b>Support and revenues</b>	
Program income	<u>\$ 1,654,280</u>
<b>Expenses</b>	
Basic instruction	645,324
Instructional media services	10,739
Instructional staff training	1,026
Food services	35,612
School administration	244,729
Information services	1,747
Operation of plant	114,418
Maintenance of plant	34,495
Administrative	123,809
Total expenses	<u>1,211,899</u>
<b>Increase in unrestricted net assets</b>	<u>442,381</u>
<b>Net assets, unrestricted, beginning of year</b>	1,142,376
<b>Net assets, unrestricted, end of year</b>	<u><u>\$ 1,584,757</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, 2009**

<b>Cash flows from operating activities</b>	
Cash received from grantors, programs and other	\$ 1,603,377
Cash paid to suppliers and employees	(1,241,262)
Interest paid	(5,981)
Net cash provided by operating activities	<u>356,134</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(263,791)
Purchase of certificate of deposit	(250,000)
Net cash used in investing activities	<u>(513,791)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(157,657)</u>
<b>Cash and cash equivalents, beginning of year</b>	1,528,580
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,370,923</u></u>
<b>Reconciliation of increase in unrestricted net assets to net cash provided by operating activities:</b>	
Increase in unrestricted net assets	<u>\$ 442,381</u>
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation	24,201
Increase in prepaid expenses	(21,355)
Decrease in retainage receivable	5,000
Decrease in due from Gadsden County School Board	80,238
Decrease in due from related parties	376
Decrease in accounts payable and accrued expenses	(27,742)
Decrease in due to related parties	(10,448)
Decrease in deferred revenue	(136,517)
Total adjustments	<u>(86,247)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 356,134</u></u>

**Supplemental schedule of non-cash investing and financing activities:**

The Organization financed new school construction through a loan payable of \$722,804, accounts payable of \$258,456 and retainage payable of \$105,474

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, 2009**

(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, 2009**

(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, 2009:

Land	\$ 207,585
Construction in progress	1,477,753
Leasehold improvements	9,075
Computer equipment	154,327
Furniture and equipment	37,233
Vehicles	12,837
	1,898,810
Less: accumulated depreciation	195,484
	\$ 1,703,326

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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

(5) **Long-term Debt:**

Long-term debt consisted of the following at June 30, 2009:

6.00% note payable to bank, payable in monthly interest only payments with final balloon payment of outstanding principal and interest due on November 18, 2009, collateralized by real property.	\$ 472,804
6.00% note payable to bank, payable in monthly interest only payments with final balloon payment of outstanding principal and interest due on November 18, 2009, collateralized by real property.	250,000
	722,804
Less: Current portion of long-term debt	722,804
Long-term debt, less current portion	\$ -

At June 30, 2009, note payable maturities were as follows:

Year	
2010	\$ 722,804
2011	-
2012	-
2013	-
2013	-
Total	\$ 722,804

(6) **Deferred Revenue:**

The deferred revenue balance of \$539,512 represents monies received and due from Gadsden County School Board for the purpose of future capital outlay.

(7) **Defined Contribution Plan:**

The Organization offers a defined contribution pension plan. For the year ended June 30, 2009, the amount of retirement expense was \$107,792.

(8) **New Facility Commitment:**

The Organization is in the process of constructing a new school. The total estimated construction cost of the new school is approximately \$2,110,000. As June 30, 2009, \$1,212,545 has been spent on the new school.

**CROSSROAD ACADEMY CHARTER SCHOOL  
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ORGANIZATION OF GADSDEN COUNTY, INC.)  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2009**

(9) **Letter of Condition:**

The Organization entered into a Loan Resolution Security Agreement authorizing and providing for the incurrence of indebtedness in the principal amount of \$2,250,000 for the purpose of providing a portion of the cost of acquiring and constructing a charter school. After construction financing, the mortgage note will be payable to Rural Development in monthly installments, including interest, at an interest rate of 4.25%, maturing in 25 years from origination. The mortgage liability of the Organization is limited to the underlying value of the real estate collateral pledged.

Under the Loan Agreement with Rural Development, the Organization is required to make monthly deposits of \$1,233 into a reserve account until the balance reaches \$147,870.

**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, 2009, and have issued our report thereon dated August 10, 2009. 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.

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 August 10, 2009.

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.

*Braks, Harrison & Cuyler*

Tallahassee, Florida  
August 10, 2009

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, 2009, and have issued our report thereon dated August 10, 2009.

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 August 10, 2009, 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)(e)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)(e)2) require that we comment as to whether the Charter School or center has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.854 (1)(e)3) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.854 (1)(e)4) require that we address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than consequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.854 (1)(e)5) provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative if not already addressed in the auditors' report on the internal control and compliance: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that, and were discovered within the scope of the financial audit; control deficiencies that are not significant deficiencies and were discovered within the scope of the financial audit. Our audit disclosed no matters required to be disclosed by the Rules of the Auditor General (Sections 10.854 (1)(e)5).

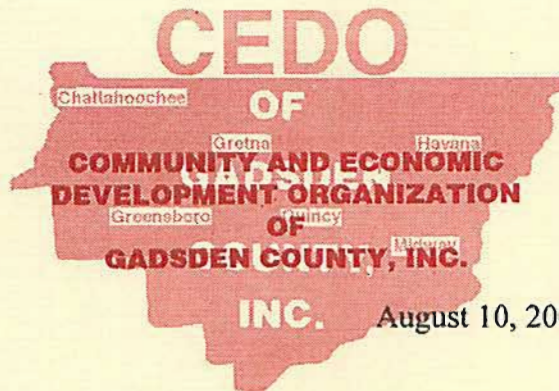
The Rules of the Auditor General (Section 10.854 (1)(e)6) also require that the name or official title and legal authority for the charter school be disclosed in the management letter. Crossroad Academy Charter School (a division of Community and Economic Development Organization of Gadsden County, Inc.) was formed August 6, 1998 by the Community and Economic Development Organization of Gadsden County, Inc.

The Rules of the Auditor General (Section 10.854 (1)(e)7a and 10.855(10) 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 10.855(10)).

Pursuant to Chapter 119, Florida Statutes, this 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, the Board of Directors and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified users.

*Brooks, Harrison & Cayer*

Tallahassee, Florida  
August 10, 2009



Phone: 850 / 627-7656  
FAX: 850 / 875-4231

20 East Washington St. • Suite A  
Quincy, Florida 32351

August 10, 2009

Auditor General's Office  
Claude Pepper Building, Room 412E  
111 West Madison Street  
Tallahassee, Florida 32399-1450

The Board of Directors for the Community & Economic Development Organization of Gadsden County, Inc. received the 2008-09 annual independent auditor's report and financial statements for Crossroad Academy Charter School (a subsidiary company) from Brooks, Harrison and Cayer, LLC, Certified Public Accountants on August 10, 2009. As part of this audit, the Organization received one financial statement finding. As a result of this finding, the Organization is responding with a corrective action plan.

**Finding: 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.

***Response: With respect to Preparation of Financial Statements and Footnotes, while it has been the Organization's practice to have its Fiscal Administrator prepare monthly financial reports for the Board of Directors and financial reports in preparation for the annual audit, we have relied upon the audit firm to identify and draft the financial statements and related note disclosures. It would be cost prohibitive to engage another accounting firm to draft the financial statements and related disclosures in advance of the year end audit procedures, consequently, the Organization declines to do so at this time.***

Please accept this letter from the Organization as completion of the requirements for addressing findings of the 2008-09 Audit.

Sincerely,

Millie Forehand,  
Executive Director