



**Financial Statements,
Independent Auditor's Report Thereon,
and Independent Auditor's Report on
Compliance and Internal Controls
JUNE 30, 2007**

Harvey, Covington and Thomas, L.L.C.
3816 Hollywood Boulevard
Suite 203
Hollywood, FL 33021
(954) 966-4435 PHONE
(954) 962-7747 FAX

**EXCEL ACADEMY
LIBERTY CITY, FLORIDA
JUNE 30, 2007**

**Financial Statements,
Independent Auditor's Report Thereon,
and Independent Auditor's Report on
Compliance and Internal Controls**

**Harvey, Covington & Thomas, L.L.C.
3816 Hollywood Boulevard
Suite 203
Hollywood, FL 33021
(954) 966-4435 PHONE
(954) 962-7747 FAX**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report on the Financial Statements	1
Management Discussion and Analysis (MD&A)	3
Government-Wide - Statement of Net Assets	9
Government-Wide - Statement of Activities	10
Fund Financial Statement– Balance Sheet	11
Fund Financial Statement– Statement of Revenues, Expenditures and Changes in Fund Balance	12
Notes to the Financial Statements	13
Report on Compliance and on Internal Control over Financial Reporting	20
Independent Auditor's Letter to Management	22

Independent Auditor's Report

To the Board of Directors of
EXcel Academy
Liberty City, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of EXcel Academy (the "School"), which is a component unit of the School Board of Miami-Dade County as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of EXcel Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of EXcel Academy as of June 30, 2007, and the results of its operations 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 31, 2007 on our consideration of EXcel Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

Harvey, Covington & Thomas, L.L.C.

Hollywood, Florida
August 31, 2007

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2007

The School's total net assets were approximately \$2,893.

Total ending unrestricted net assets were approximately \$2,893.

The School had total expenses for the year of about \$241,000 compared to revenue of approximately \$244,000.

The School remained within the budget set by the Board of Directors for the fiscal year ended June 30, 2007.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's asset and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increase and/or decrease in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in State funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business type activities, which are generally financed in whole or in part by fees charged to external parties for goods and services.

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

Governmental Funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can be readily converted to cash. This provides a short-term view of the governmental fund's financial position to help determine whether there are more or fewer financial resources that can be spent in the near term to finance the School's programs. Given that this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with these statements. This information helps to explain the difference between the fund financial statements and the government-wide financial statements.

The School maintains one major fund. The General Fund is considered to be major fund. General Fund – All financial resources except those required to be reported in another fund, which are not restricted to expenditures for specified purposes.

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

CONDENSED FINANCIAL INFORMATION

The following tables present condensed financial information derived from the government-wide financial statements.

Excel Academy's Net Assets

	Total Governmental Activities
	<u>2007</u>
Non-Capital Assets	\$ 60,149
Capital Assets, Net	<u>11,818</u>
Total Assets	<u>\$ 71,967</u>
Current Liabilities	<u>\$ 80,892</u>
Total Liabilities	<u>80,892</u>
Net Assets	
Invested in capital assets, net of related debt	-
Unrestricted	<u>(8,925)</u>
Total net assets	<u>\$ (8,925)</u>

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

	Total Governmental Activities
	<u>2007</u>
Revenues	
State Source FTE	\$ -
Title I Grant	222,185
Capital Outlay	-
Gift, Grants and Bequests	-
Other Miscellaneous Income	22,119
Total Revenues	<u>244,304</u>
Expenses	
Basic Instruction	143,826
School Administration	26,840
Fiscal Services	5,526
Food Services	14,244
Pupil Transportation Services	3,858
Operation of Plant	47,122
Total Expenses	<u>241,416</u>
Change in Net Assets	2,888
Beginning Net Assets	<u>5</u>
Ending Net Assets	<u>\$ 2,893</u>

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's net assets totaled \$2,893 as of June 30, 2007. Of this amount, approximately \$11,818 (net of related debt) has been invested in capital assets. The School uses the capital assets to provide services to the students. The remaining balance of unrestricted net assets may be used to meet the School's ongoing obligations to students.

The increase in the School's net assets of approximately \$2,888 is attributable to management controlling the amount of expenditures incurred during the fiscal year and increasing enrollment through active recruitment during the non-school session.

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$244,000 in general revenues and incurred \$241,000 of program expenses. This resulted in a \$2,888 increase in net assets.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance was \$2,893. The School generated more *revenue* through State Source FTE (Full Time Equivalent) funds in the current year. The School incurred \$241,000 in expenses due to operations of the School.

BUDGETARY HIGHLIGHTS

General Fund

There were no changes between the original and final budgets for the General Fund.

Revenues received in the General Fund were granted by the Dade County School Board for the fiscal year, therefore, there were no variances.

Total Governmental Fund expenditures were above the budgeted amounts. This was generally due to the fact that this is the first fiscal year of operations for the school.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There was no significant capital assets activity during 2007. Please refer to Note 2 for more detailed information about the School's capital asset activity.

Debt Administration

The School did not enter into any debt agreement during the fiscal period.

**THE EXCEL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2007**

ECONOMIC FACTORS

Economic factors affecting the School's operations included operational changes, limited classroom space, and the State's base student allocation.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional information, contact Valerie Kinnon, 3575 Northwest 60th Street, Liberty City, Florida 33142.

EXCEL ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 11,967	\$ 11,967
Accounts Receivable	-	-
Other Assets	60,000	60,000
Total Current Assets	71,967	71,967
Capital assets:		
Furniture, Fixtures & Equipment	15,318	15,318
Less Accumulated Depreciation	(3,500)	(3,500)
Total Fixed Assets	11,818	11,818
Total Assets	\$ 83,785	\$ 83,785
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 80,892	\$ 80,892
Total Current Liabilities	80,892	80,892
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	-	-
Unrestricted	2,893	2,893
Total net assets	2,893	2,893

See Accompanying Notes to the Financial Statements

EXCEL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		Total
FUNCTIONS	Expenses	Governmental Activities	
Primary Government:			
Governmental Activities:			
Basic Instruction	\$ 143,826	\$ (143,826)	\$ (143,826)
School Administration	26,840	(26,840)	(26,840)
Fiscal Services	5,526	(5,526)	(5,526)
Food Services	14,244	(14,244)	
Instructional Staff Training	358	(358)	(358)
Operation of Plant	47,122	(47,122)	(47,122)
Unallocated Depreciation Expense	3,500	(3,500)	(3,500)
Total governmental activities	241,416	(241,416)	(241,416)

General Revenues:

State Source FTE	222,185	222,185
Other Income	22,119	22,119
Total General Revenues, Special Items and Transfers	244,304	244,304
Change in Net Assets	2,888	2,888
Net Assets - Beginning of Year	5	5
Net Assets - End of Year	\$ 2,893	\$ 2,893

See Accompanying Notes to the Financial Statements

**EXCEL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	GENERAL	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>		
Cash	\$ 11,967	\$ 11,967
Other Assets	60,000	60,000
TOTAL ASSETS	\$ 71,967	\$ 71,967
<u>LIABILITIES & FUND EQUITY</u>		
Liabilities		
Accounts Payable	80,892	80,892
TOTAL LIABILITIES	\$ 80,892	\$ 80,892
Fund Equity		
Fund Balances:		
Unreserved, Undesignated	(8,925)	(8,925)
TOTAL FUND EQUITY	(8,925)	(8,925)
TOTAL LIABILITIES AND FUND EQUITY	\$ 71,967	\$ 71,967

Reconciliation of the governmental funds Balance Sheet to the Statement of Net Assets
for the year ended June 30, 2007

Total fund balances - governmental funds (8,925)

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 governmental funds. The cost
of the assets is \$15,318, and the accumulated depreciation is (\$3,500) 11,818

Net Assets of Governmental Activities \$ 2,893

EXCEL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	TOTAL GOVERNMENTAL FUNDS
REVENUES		
State Source FTE	\$ 222,185	\$ 222,185
Miscellaneous Income	22,119	22,119
TOTAL REVENUES	244,304	244,304
EXPENDITURES		
Basic Instruction	143,826	143,826
School Administration	26,840	26,840
Fiscal Services	5,526	5,526
Food Services	14,244	14,244
Instructional Staff Training	358	358
Operation of Plant	62,440	62,440
TOTAL EXPENDITURES	253,234	253,234
EXCESS OF REVENUES OVER EXPENDITURES	(8,930)	(8,930)
FUND BALANCE, July 1, 2006	5	5
FUND BALANCE, June 30, 2007	\$ (8,925)	\$ (8,925)

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities

Total net change in fund balances - governmental funds (8,930)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays \$15,318 are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense (\$3,500).

11,818

Change in net assets of governmental activities

2,888

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

EXcel Academy, Inc. is a not-for-profit corporation organized in July 2006 pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The not-for-profit corporation conducts business as EXcel Academy (the “School”). The governing body of the School is the not for profit corporation’s Board of Directors which is composed of three voting members.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Miami-Dade County (the “District”). The current charter is effective until June 30, 2012. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 228.056(10)(e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. This School is considered a component unit of the District.

Criteria for determining if other entities are potential components units of the School that should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the Schools’ basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Basis of Presentation

The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Statement #34 set forth minimum criteria for the determination of major funds. The school has one major funds.

GOVERNMENTAL FUND TYPES

The measurement focus of the Governmental Funds is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the Governmental Funds of the School:

General Fund – to account for all financial resources not required to be accounted for in another fund. The General fund serves as the primary operating unit of the School.

Special Revenue Fund – to account for financial resources associated with grants that are restricted for specific uses.

Capital Projects Fund – to account for all financial resources that are specifically restricted to expenditure for capital projects.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund, and Capital Projects Fund are all considered to be significant funds and, therefore, are separately stated. The School has no non-major funds.

NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Government-wide Financial Statements are presented on an accrual basis of accounting. The Fund financial statements are presented on a modified accrual basis.

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

All governmental fund types are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting, consistent with generally accepted accounting principles.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full time equivalent (FTE) students and related data to the District. Under the provision of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculation by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

Fixed Assets and Depreciation

Expenditures for fixed assets acquired for utilization at the School are reported in the governmental fund type that financed the acquisition. Donated Assets are recorded at fair value at the date of donation. The school's capitalization levels are \$600 on tangible personal property. Depreciation on all assets is provided on the straight-line basis over the estimated useful life. The depreciation of general fixed assets is recorded in the Government-wide financial statements.

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Compensated Absences

The School does not pay employees for unused sick and vacation time. Unused hours expire at the end of the school year. Therefore, no compensated absences are recorded.

Income Taxes

The School is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - CHANGES IN GENERAL FIXED ASSETS

Changes in general fixed assets are shown below:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Leasehold Improvements	\$ -	\$ -	\$ -	\$1,018
Furniture, Fixtures, and Equipment	-	-	-	14,300
Total	-	-	-	15,318
Accumulated Depreciation	-	(3,500)	-	(3,500)
Net Fixed Assets	<u>\$ -</u>	<u>(\$3,500)</u>	<u>-</u>	<u>\$11,818</u>

NOTE 3 – LEASES AND OTHER OBLIGATIONS

Operating Leases

During the fiscal year 2006-2007, the School leased commercial space from Church of the Open Door, Inc. The School is renting a commercial space on a year to year basis. The current lease expires August 14, 2008.

Total rent expense for the year ended June 30, 2007 was \$33,000 for the commercial space. The future minimum rental commitment for the lease is as follows:

For the year ending June 30,

2007	\$ 60,000
2008	--
2009	--
2010	--
2011	--
Thereafter	--
Total	<u>\$ 60,000</u>

EXCEL ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – ACCOUNTS PAYABLE AND RELATED PARTY TRANSACTIONS

Accounts payable for fiscal year ended June 30, 2007 consist of loans from the Management Company, payroll related taxes, and other accrued expenses. Non-interest bearing loans of \$59,446 are due to a related for-profit corporation (the President of the Organization is also an officer of this for-profit corporation). The related for-profit Corporation has agreed not to request payment of these amounts due until such time Excel Academy is financially able to make such payments. The Organization out-sources some of its payroll functions; however, the payment of payroll taxes is the organization's responsibility. For the fiscal year ending June 30, 2007, unpaid payroll taxes totaled \$20,786. The remaining portion of accounts payable totaled \$657 due to other creditors.

Note 5 – OTHER ASSETS

Other assets for fiscal year ended June 30, 2007 consist of library books and educational resource materials valued at \$50,000, and prepaid rent for the leased school facility and the administrative office.

NOTE 6 – BUDGETARY COMPARISON SCHEDULE

The following budgetary information is presented as part of the required supplementary information as mandated by GASB Statement #34.

EXCEL ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL	
	ORIGINAL BUDGET	ACTUAL
REVENUES		
State Source FTE	\$ 223,000	\$ 222,185
Miscellaneous Income	31,000	22,119
	254,000	244,304
EXPENDITURES		
Basic Instruction	144,000	143,826
School Administration	27,000	26,840
Fiscal Services	5,500	5,526
Food Services	14,500	14,244
Instructional Staff Training	500	358
Operation of Plant	62,500	62,440
	254,000	253,234
EXCESS OF REVENUES OVER EXPENDITURES	-	(8,930)

**Independent Accountant's Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards**

To the Board of Directors of
EXcel Academy

We have audited the basic financial statements of EXcel Academy, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether EXcel Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reporting under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered EXcel Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. We noted a matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect EXcel Academy's ability to record, process, summarize and report data consistent with assertions of management of the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Harvey, Cowigton & Thomas, L.L.C.

Hollywood, Florida

August 31, 2007

INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

Board of Directors
EXcel Academy
Liberty City, Florida 33142

We have audited the financial statements of EXcel Academy as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. We have also issued our report on compliance and internal control over financial reporting. That report should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. This is the school's first fiscal year of operations, therefore, there was no prior year Management Letter Comments.

Other Matters

Our audit did reveal some matters that involve the internal control structure and other operational matters that are presented for your consideration. We previously reported on EXcel Academy's internal control structure in our report dated August 31, 2007. This letter does not affect our report dated August 31, 2007 on the financial statements of the School.

This management letter is intended solely for the information and use of the management of the School and appropriate audit agencies and is not intended to be and should not be used by anyone other than specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any comments about this letter, our accompanying reports, or any other matter.

Harvey, Chvington & Thomas, L.L.C.

Hollywood, Florida
August 29, 2007

07-ML-01

Criteria:

We noted during our audit that the Organization does not perform monthly bank reconciliations for the fiscal year 2007.

Condition

By not performing monthly bank reconciliations, the Organization cannot effectively determine deficiencies, errors and/or track the monthly operations of the company's cash receipts and disbursements.

Recommendation:

We recommend that the Organization perform monthly bank reconciliations for each existing account and organize the filing of all bank statements.

Reason Improvement Needed:

Monthly bank reconciliations are essential to effectively track the inflows and outflows of the organizations cash. It also serves as a tool to keep track of outstanding disbursements and receipts.

Management Response:

We agree with the Auditor's finding and will seek to implement policies and procedures to address this matter.

07-ML-02

Criteria:

The employees of the Organization should obtain training on the accounting functions and/or the accounting system.

Condition:

During the procedures, we encountered several issues that related to an account adjustment and/or system error.

Recommendation:

We recommend that management take the effective steps in order to obtain the necessary software training for the employees in order to avoid costly errors.

Reason Improvement Needed:

By acquiring the additional training on the accounting software, the Organization can minimize costly errors and provide the Board Members with accurate financial information.

Management Response:

We agree with the Auditor's finding and will seek to implement policies and procedures to address this matter.

Reportable Condition

07-ML-03

Criteria:

During our audit procedures, we noted that the school did not maintain an accurate and complete recording of transactions in the accounting system. For example, we noted that several expenditures paid for by the Management Company were either not recorded or misclassified.

Condition:

As a result of poor recordkeeping, the Organization is unable to provide an accurate financial picture of its performance to readers of the financial statements.

Recommendation:

We suggest the accounting personnel perform a monthly account reconciliation to ensure all accounting transactions have been posted and compared to the supporting documentation.

Reason Improvement Needed:

It is imperative that the School is able to account for all accounting transactions and fully understand the procedures. It is also important for the organization to correctly classify all expenses and maintain supporting documentation.

Management Response:

Management agrees to Auditors findings and will implement new procedures during the coming fiscal year.

07-ML-04

Criteria:

During our audit procedures, we noted the Organization had not filed any payroll related tax forms with the Internal revenue Services and the Florida Department of Revenue for the entire fiscal year. These forms include quarterly Form 941 and UCT-6, annual Form 940 and Form W-3 with employee W-2 for year ended December 31, 2006. The unpaid payroll taxes for the fiscal year are approximately \$20,800. We noted the general ledger obtained a payroll balances from payroll reports generated by Paychex, a payroll agency. It is the Organization's responsibility to ensure the all related payroll taxes forms are completed, filed, and paid in a timely manner.

Condition:

Excel Academy is not completing, filing, and remitting/paying related payroll taxes.

Recommendation:

We recommend that a quarterly reconciliation is performed to verify payroll is accurately recorded by comparing the completed Quarterly 941 Tax Return to the general ledger. It is imperative that the Organization understands the purpose of the Quarterly 941 Tax Return and UTC-6 form. With an understanding of these reports, the Organization may utilize them to verify the general ledger reflects the accurate salaries and payroll tax liabilities, and remitted the amounts due to the relevant taxing agency accordingly.

Quarterly 941 Tax Form (Employer's Quarterly Federal Tax Return) is utilized to report wages you have paid, tips your employees have reported to you, Federal income tax withheld, social security and Medicare taxes withheld, your share of social security and Medicare taxes, and advance earned income credit payments. A separate Form 941 is filed for each quarter. The first quarter is January through March. The second quarter is April through June. The third quarter is July through September. The fourth quarter is October through December. The UTC-6 form is used to pay State Unemployment taxes to the Florida Department of Revenue for each employee.

07-ML-04 (continued)

Reason Improvement Needed:

By completing and filing the payroll tax forms in a timely manner, the School will avoid the unnecessary penalties assessed by the Federal and State Tax Agencies as well as deter any possible legal ramifications.

Management Response:

Management agrees to Auditors findings and will implement new procedures during the coming fiscal year.

07-ML-05

Criteria:

The organization does not have written accounting procedures manual, which details all policies and procedures, to be followed for all revenue, expenses, assets, liabilities, and net assets transactions. In addition there were accounting functions, which were deficient due to lack of accounting procedures.

Condition:

The organization must implement an accounting procedure manual for all fiscal activities. The development and dissemination of such a manual would enable all personnel to more fully understand their duties and may potentially reduce errors and eliminate unauthorized banking activities.

Recommendation:

We recommend that management complete, adopt and implement an accounting procedures manual to assist the organization to achieve better fiscal management.

Reason Improvement Needed:

The failure to have a signed written accounting procedure manual increases the likelihood of errors, irregularities, and defalcations, within the organization. Personnel may not fully understand their duties. In addition, the loss of key personnel in the absence of this manual could result in significant delays in the daily handling of accounting and operational tasks.

Management Response:

The management team will be implementing accounting policies and procedures consistent with the Board of Director's directives.

Criteria:

During our procedures, we noted several invoices were posted to the accounting system with proper approval. In addition, we noted that the organization does not have adequate controls in place to avoid duplicate payments for invoices. We also noted the invoices did not have a 'Received' or 'Paid' date stamp. In many instances, the invoices, copy of the check, and a check request form were files together.

Condition:

It is essential that all payments be approved prior to processing. The individual approving the check requests cannot sign the check or vice versa. A proper check and balance system needs to be in place in order to successfully process checks. All information provided on the check request form should be complete. All forms should include:

- a. Date
- b. Vendor/name
- c. Amount disbursed
- d. Explanation
- e. Approval signature and date
- f. Attach copies of supporting documentation

Completion of this form reflects the approval and validation of processed item. Missing information can result in the processing of incorrect invoices and/or statements. All supporting documentation should be attached to processed checks for research and auditing purposes. The invoices should be stamped to note received, paid dates and notation of the general ledger account charge. It is necessary to maintain good record keeping. Filing a copy of the check along with the invoice serves as a mitigating control to avoid duplicate payments.

Recommendation:

We recommend that the EXcel Academy keep a copy of each processed check along with all supporting documentations. We further recommend that the Organization consider purchasing a "Paid" stamp and stamping all paid invoices with the stamp to avoid duplicating payment for services rendered or goods already received. We recommend that the Organization complete a check request form and ensure that authorized personnel, review supporting documentation to verify accuracy and completeness prior to signing.

07-ML-06 (continued)

Reason Improvement Needed:

The Organization will be better suited to effectively review and trace all processed invoices. Stamping the invoices will reduce the risk of duplication.

Management Response:

Management agrees to Auditors findings and will implement new procedures during the coming fiscal year.

