Community Academy of Philadelphia

Financial Statements
And
Independent Auditors' Report

Year Ended June 30, 2007

Community Academy of Philadelphia
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Year Ended June 30, 2007

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Independent Auditors' Report

To the Board of Trustees
Community Academy of Philadelphia
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Community Academy of Philadelphia (the School), 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 Community Academy of Philadelphia'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Community Academy of Philadelphia as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008, on our consideration of Community Academy of Philadelphia's internal control over financial reporting and on 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.

The management's discussion and analysis and the budgetary comparison schedule as listed in the table of contents, respectively, 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 supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Community Academy of Philadelphia. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Siegal & Drossner, P.C
Certified Public Accountants
Elkins Park, Pennsylvania

January 15, 2008

Community Academy of Philadelphia
Management's Discussion and Analysis
June 30, 2007

The Board of Trustees of Community Academy of Philadelphia (the School) offers 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. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total revenues increased $896,595 due primarily to an increase approximating $405,000 in subsidy per student for both regular education students and special education students and management fees earned from a related party of $440,000.
- At the close of the current fiscal year, the School reports an ending fund balance of $160,887. This balance was the result of a $22,118 surplus for the year ended June 30, 2007.
- The School's cash balance at June 30, 2007 was $241,201 representing a decrease of $375,284 from June 30, 2006.
- Related party receivables increased $575,923 due primarily to labor incurred and management fees earned by the school on behalf of the related parties

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 as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, supplementary information, and single audit requirements.

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 a 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.

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.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

Overview of the Financial Statements (Continued)

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has only one fund type, the governmental general fund.

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.

Supplementary Information

The governmental fund budgetary comparison schedule is presented for purposes of additional analysis. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

Government-Wide Financial Analysis

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34 which requires a comparative analysis of current and prior periods.

	2007	2006
Assets		
Other assets	$ 1,147,125	$ 952,216
Capital assets, net	496,545	722,637
	1,643,670	1,674,853
Liabilities	999,713	899,199
Net Assets	$ 643,957	$ 775,654

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by $643,957 as of June 30, 2007, an decrease of $131,697 from June 30, 2006.

The School's revenues are predominately the School District of Philadelphia's funds based on the student enrollment. For the year ended June 30, 2007, the School's total expenditures of $12,368,767 exceeded revenues of $12,237,070 by $131,697, an increase of $87,276 as compared to the preceding year.

Government-Wide Financial Analysis (continued)

	2007	2006
Revenues		
Local educational agency assistance	$ 9,762,655	$ 9,357,517
Other local sources	791,930	255,488
State sources	719,812	730,328
Federal sources	962,673	997,142
Total revenues	12,237,070	11,340,475
Expenditures		
Instruction	6,164,328	5,576,045
Support services	5,889,815	5,392,081
Noninstructional services	314,624	416,770
Total expenditures	12,368,767	11,384,896
Change in net assets	(131,697)	(44,421)
Net assets, beginning	775,654	820,075
Net assets, ending	$ 643,957	$ 775,654

Governmental Fund

The focus of the School's *governmental fund* 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, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental fund (the General Fund) reported an ending fund balance of $160,887.

Budget Variations

The actual revenues represent an increase from budgeted revenues of $788,357 due mainly to increased federal and state subsidies.

Actual expenditures increased $770,151 over the budget, due to increases in instructional and support services of $681,458, an increase in capital outlay and debt service of $109,029, and a decrease in noninstructional services of $20,336.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2007, the School's investment in capital assets for its governmental activities totaled $496,545 (net of accumulated depreciation). This investment in capital assets includes vehicles, classroom and office furniture, computer equipment, and leasehold improvements.

Major capital asset purchases during the year included the following:

- Capital expenditures of $36,754 for furniture and equipment.

Additional information on the School's capital assets can be found in Note 5 of this report.

Long-Term Debt

As of June 30, 2007, the School has a note payable of $8,933 and a capital lease of $4,542. Additional information on the School's long-term debt can be found in Note 6 and Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue, the per student subsidy provided by the School District of Philadelphia, will increase by approximately $800,000 for fiscal year 2007-2008, due primarily to an increase in the per student subsidy.

Future Events That Will Financially Impact the School

Except as listed in the above economic factors, there are no known additional future events that will financially impact the school.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, Community Academy of Philadelphia, 1100 East Erie Avenue, Philadelphia, Pennsylvania 19124.

Community Academy of Philadelphia
Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2007

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash	$ 241,201	$ -	$ 241,201
State subsidies receivable	166,421	-	166,421
Federal subsidies receivable	13,880	-	13,880
Employee loans receivable	20,546	-	20,546
Due from related party	705,077	-	705,077
Total current assets	1,147,125	-	1,147,125
Capital assets, net	-	496,545	496,545
Total assets	$ 1,147,125	496,545	1,643,670
Liabilities			
Current liabilities			
Accounts payable	$ 96,280	-	96,280
Accrued expenses	889,958	-	889,958
Capital lease obligations, current portion	-	4,542	4,542
Note payable, current portion	-	8,933	8,933
Total current liabilities	986,238	13,475	999,713
Fund Balance/Net Assets			
Unreserved fund balance	160,887	(160,887)	-
Total liabilities and fund balance	$ 1,147,125		
Net Assets			
Invested in capital assets, net		483,070	483,070
Unrestricted		160,887	160,887
		$ 643,957	$ 643,957
Reconciliation of fund balance to net assets:			
Fund balance			$ 160,887
Cumulative capital expenditures charged to operations, net of related debt			1,509,012
Accumulated depreciation			(1,025,942)
Total net assets			$ 643,957

See accompanying notes to financial statements.

Community Academy of Philadelphia
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2007

	General Fund	Adjustments	Statement of Activities
Revenues			
Local educational agency assistance	$ 9,762,655	$ -	$ 9,762,655
Other sources	791,930	-	791,930
State sources	719,812	-	719,812
Federal sources	962,673	-	962,673
Total revenues and other financing sources	12,237,070	-	12,237,070
Expenditures			
Instruction	6,164,328	-	6,164,328
Support service	5,626,971	262,844	5,889,815
Noninstructional services	314,624	-	314,624
Capital outlay	36,754	(36,754)	-
Other Financing Uses			
Debt service	72,275	(72,275)	-
Total expenditures and other financing uses	12,214,952	153,815	12,368,767
Excess of Revenues over Expenditures and Other Financing Uses	22,118	(22,118)	-
Change In Net Assets	-	(131,697)	(131,697)
Fund Balance/Net Assets, Beginning	138,769	-	775,654
Fund Balance/Net Assets, Ending	$ 160,887	$ -	$ 643,957

Reconciliation of excess of revenue over expenditures and other financing uses to change in net assets:	
Excess of revenue over expenditures	$ 22,118
Principal payments on debt reported as expenditures	72,275
Capital outlays reported as expenditures, net of related debt	36,754
Depreciation and amortization expense	(262,844)
Change in net assets	$ (131,697)

See accompanying notes to financial statements.

Note 1 Background and Summary of Significant Accounting Policies

Community Academy of Philadelphia (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997. The School includes grades kindergarten through twelve.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Because these two types of statements are so closely related for the School, they have been presented together.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements:

The statement of net assets and the statement of activities 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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Method of Accounting

The School has adopted the provision of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Managements' Discussion and Analysis – for State and Local Governments*." Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well.

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of $100,000, with financial institutions.

Cash

The School's cash is considered to be cash on hand and demand deposits.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; furniture and equipment (5-7 years), vehicles (5-7 years), and leasehold improvements (27 years).

Income Tax Status

The School has applied for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code.

Note 2 Cash

The School's deposits are categorized below to give an indication of the level of such risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the School or by its agent in the School's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the School's name. Category 3 includes deposits uncollateralized, including any bank balance that is collateralized with securities held by the pledging institutions or by its trust department or agent, but not in the School's name.

Note 2 Cash (Continued)

In accordance with Pennsylvania Statutes, the School maintains deposits at institutions, which are authorized by its Board. Deposit balances at June 30, 2007 are as follows:

	Category	Bank Balance	Carrying Amount
Insured	1	$ 353,499	$ 233,941
Uninsured	3	26,902	7,260
Total		$ 380,401	$ 241,201

Note 3 State and Federal Subsidies Receivable

State and Federal subsidies receivable at June 30, 2007 consist primarily of subsidies from federal and state authorities under various programs and grants. All receivables are considered collectible due to the stable condition of these programs.

Note 4 Other Receivables

At June 30, 2007, employees owed $20,546 to the School. The loans bear interest from zero to six percent per annum and are unsecured.

Note 5 Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance, 7/1/06	Additions	Deletions	Balance, 6/30/07
Vehicles	$ 71,860	$ -	$ -	$ 71,860
Furniture and equipment	1,408,073	36,754	-	1,444,827
Leasehold improvements	5,800		-	5,800
	1,485,733	36,754	-	1,522,487
Less: accumulated depreciation	763,098	262,844	-	1,025,942
	$ 722,635	$(226,090)	$ -	$ 496,545

Depreciation expense for the year ended June 30, 2007 was $262,844 and was charged to support services in the statement of activities.

Note 6 Long-Term Debt

A term loan, payable $1,201 per month including principal and interest at 7% is due April 2008, is secured by a vehicle. The balance at June 30, 2007 was $8,933.

Note 7 Capital Lease Obligations

Equipment and furniture costing $700,637 with a net book value of $166,661 are held under capital leases. There is one capital lease obligation outstanding at June 30, 2007, which is payable $582 monthly including principal and interest at 6.6% through February, 2008.

Changes in capital lease obligations are as follows:

Balance, July 1, 2006	$ 66,030
Repayments of principal	(61,488)
Balance, June 30, 2007	$ 4,542

Note 8 Funding

The School receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

The Commonwealth of Pennsylvania makes contributions on behalf of the charter school for the employer's share of retirement payments and social security payments. The School also received federal funding under the Title I, Title II, and Title V grants.

Note 9 Commitments

The School leases under an operating agreement 1100 Erie Avenue in Philadelphia, Pennsylvania. The Building is owned by International Education and Community Initiatives (IECI), a related party (see Note 13). The School's lease agreement with IECI extends through June 30, 2032. Rent expense was $1,501,065 for the year ended June 30, 2007.

Future minimum lease payments as of June 30, 2007 are as follows:

Year ending June 30,	
2008	$ 1,305,950
2009	1,307,032
2010	1,301,944
2011	1,305,744
Thereafter	27,377,006
	$32,597,676

Note 10 Retirement Plan

The School contributes to the Public School Employees' Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Pennsylvania Public School Employees' Retirement System, which provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Bureau of Fiscal Control, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125.

The rate of contribution for employees ranges from 5.25% - 7.5% depending upon classification and elections of employees. The School's contribution is 6.46%. In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities contributions. The School's contributions to the Plan for the year ended June 30, 2007 approximated $405,000, which equals 100% of the contractually required contribution as set by State statutes.

Note 11 Grants

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 12 Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

Note 13 Related Party

The School is associated with the International Education and Community Initiatives (IECI). Certain employees of the school serve on the board of IECI and the School. As described in Note 9, the school has a lease agreement with IECI. As of June 30, 2007, the School had an amount receivable from IECI of $705,077. There is no stated interest rate or repayment terms. The following is a summary of the related party activity for the year ended June 30, 2007:

Balance at June 30, 2006	$ 129,154
Labor and benefit costs incurred by the School	(194,397)
Labor and benefit costs paid by the School on behalf of IECI	90,988
Other costs paid by the school on behalf of IECI	55,762
Management fees earned by the School	440,000
IECI reimbursements	183,570
Balance at June 30, 2007	$ 705,077

Supplementary Information

Community Academy of Philadelphia
Governmental Fund Budgetary Comparison Schedule
Year Ended June 30, 2007

	Budget	Actual Revenues/ Expenditures	Variance
Revenues			
Local educational agency assistance	$ 9,610,600	$ 9,762,655	$ 152,055
Other sources	397,000	791,930	394,930
State sources	561,113	719,812	158,699
Federal sources	880,000	962,673	82,673
Total revenues and other financing sources	11,448,713	12,237,070	788,357
Expenditures			
Instruction	5,492,785	6,164,328	(671,543)
Support service	5,617,056	5,626,971	(9,915)
Noninstructional services	334,960	314,624	20,336
Capital outlay	-	36,754	(36,754)
Other Financing Uses			
Debt service	-	72,275	(72,275)
Total expenditures and other financing uses	11,444,801	12,214,952	(770,151)
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	3,912	22,118	18,206
Fund Balance, Beginning	138,769	138,769	-
Fund Balance, Ending	$ 142,681	$ 160,887	$ 18,206

See accompanying notes to financial statements.

Other Reports Required By Government Auditing Standards

S&D

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Independent Auditors' 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 Trustees
Community Academy of Philadelphia
Philadelphia, Pennsylvania

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Academy of Philadelphia (the School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon, dated January 15, 2008. 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.

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.

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.

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Compliance and Other Matters

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

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Siegal & Drossner, P.C
Certified Public Accountants
Elkins Park, Pennsylvania

January 15, 2008

Single Audit Requirements

Community Academy of Philadelphia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Pass-Through School District of Philadelphia			
Invididuals with Disabilities Education Act Part B	84.027	N/A	$ 155,333
U.S. Department of Education			
Pass-Through PA Department of Education			
Title I - Improving Basic Programs	84.010	013-060848	750,967
Title II - Improving Teacher Quality	84.318	020-060848	43,721
Title V - Innovative Education	84.298	011-060848	1,162
Medical Assistance - Access	93.778	N/A	11,490
Total expenditures of federal awards			$ 962,673

See notes to schedule of expenditures of federal awards.

Community Academy of Philadelphia
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

General Information

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the federal financial assistance of Community Academy of Philadelphia (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or non-profit organizations, are included in the schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Relationship to Financial Statements

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the School. It is not intended to, nor does it present either the balance sheet, revenues, expenditures or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's combined statement of revenues, expenditures, and changes in fund balances of governmental funds.

Administrative Expenses

The expenditures in the accompanying Schedule of Expenditures of Federal Awards include an allocation of administrative expenses. Those allocations are based upon amounts permitted under each individual financial assistance program.

S&D

SIEGAL AND DROSSNER, PC
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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Community Academy of Philadelphia
Philadelphia, Pennsylvania

Compliance

We have audited the compliance of Community Academy of Philadelphia (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Siegal & Drossner, P.C
Certified Public Accountants
Elkins Park, Pennsylvania

January 15, 2008

Community Academy of Philadelphia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Community Academy of Philadelphia.

2. No reportable conditions relating to the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting.

3. No instances of noncompliance material to the financial statements of Community Academy of Philadelphia which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

4. No reportable conditions in internal control relating to the audit of major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.

5. The auditors' report on compliance for the major federal award programs for Community Academy of Philadelphia expresses an unqualified opinion.

6. There were no findings which were required to be reported in accordance with Section 501(a) of OMB Circular A-133.

7. The program tested as a major program was Title 1 CFDA #84.010.

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Community Academy of Philadelphia qualified as a low-risk auditee.

B. Findings-Financial Statement Audit

There were no findings relating to the financial statements which are required to be reported in accordance with *Generally Accepted Governmental Auditing Standards (GAGAS).*

C. Findings and Questioned Costs-Major Federal Award Programs Audit

There were no findings and questioned costs for federal awards, which would include audit findings as defined in OMB Circular A-133.