

WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE
SERVICES, INC. AND WESTMINSTER ACADEMY
CHARTER SCHOOL, INC.

COMBINED FINANCIAL STATEMENTS
(Audited)

For the year ended June 30, 2008

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Westminster Academy Charter School and
Westminster Community Care Services, Inc.
Orlando, Florida

We have audited the accompanying combined statement of financial position of Westminster Academy Charter School (the School), a division of Westminster Community Care Services, Inc. (WCCS) and Westminster Academy Charter School, Inc. (the Academy) as of June 30, 2008 and the related statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. 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 combined 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.

The accompanying combined financial statements were prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida, Chapter 10.850, as described in Note 1 and are not intended to be a complete presentation of the assets, liabilities, net assets, revenues and expenses of WCCS.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As explained in Note 1, the School was closed June 4, 2008. As explained in Note 13, certain significant events occurred subsequent to June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2009 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Holland & Reilly

February 16, 2009
Orlando, FL

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2008**

ASSETS

Current assets:

Cash		\$ 296,727
Accounts receivable – Capital Outlay Funds		19,397
Receivable – other		<u>635</u>
 Total assets		 <u>\$ 316,759</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable		22,847
Accrued expenses		11,989
Due to affiliates		65,753
Due to Orange County School Board		<u>162</u>
 Total current liabilities		 100,751

Net assets:

Unrestricted	\$ 196,611	
Temporarily restricted	<u>19,397</u>	<u>216,008</u>
 Total liabilities and net assets		 <u>\$ 316,759</u>

See accompanying notes.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
STATEMENT OF ACTIVITIES
for the year ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Public support:			
Florida Education Finance Program	\$ 698,494	\$ -	\$ 698,494
Teacher lead funds	554	-	554
Capital outlay revenue	-	27,846	27,846
Interest income	483	935	1,418
Other	10,810	-	10,810
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>34,988</u>	<u>(34,988)</u>	<u>-</u>
 Total support and revenue	 <u>745,329</u>	 <u>(6,207)</u>	 <u>739,122</u>
Expenses:			
Payroll and related expenses	419,552	-	419,552
Retirement expense	110	-	110
Contract services	8,620	-	8,620
Insurance	4,511	-	4,511
Legal and accounting	22,800	-	22,800
Occupancy and equipment	86,500	-	86,500
Orange County School Board administration fee	35,317	-	35,317
Supplies	17,380	-	17,380
Travel	6,205	-	6,205
Other expenses	5,658	-	5,658
Disposition of assets	21,382	-	21,382
Depreciation	<u>4,017</u>	<u>-</u>	<u>4,017</u>
 Total expenses	 <u>632,052</u>	 <u>-</u>	 <u>619,816</u>
 Increase in net assets	 (113,277)	 (6,207)	 (119,306)
 Net assets, beginning of year	 <u>83,334</u>	 <u>25,604</u>	 <u>108,938</u>
 Net assets, end of year	 <u>\$ 196,611</u>	 <u>\$ 19,397</u>	 <u>\$ 216,008</u>

See accompanying notes.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
STATEMENT OF CASH FLOWS
for the year ended June 30, 2008**

Cash flows from operating activities:	
Decrease in net assets	\$ 108,938
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,017
Loss on disposition of property & equipment	21,382
Increase in accounts receivable – Capital Outlay Funding	(793)
Decrease in receivable – other	6,365
Decrease in prepaid expenses	13,505
Increase in accounts payable	22,621
Decrease in accrued expenses	(6,722)
Decrease in due to the District School Board of Orange County	(133)
Increase in due to affiliates	<u>7,675</u>
Net cash used by operating activities	<u>176,855</u>
Cash flows from investing activities:	
Equipment purchased	<u>(9,252)</u>
Cash flows from financing activities:	<u>-</u>
Net increase in cash	167,603
Cash at beginning of year	<u>129,124</u>
Cash at end of year	<u>\$ 296,727</u>

See accompanying notes.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies:

Entity – Westminster Academy Charter School (the School) is a charter school organized pursuant to Section 1002.33, Florida Statutes. The School is a division of Westminster Community Care Services, Inc. (WCCS), a not-for-profit corporation organized under the laws of the State of Florida, and is managed by Senior Health Management Orlando LLC, a for-profit Florida LLC.

In April 2008, the School's principal and its board of directors created a separate legal entity – Westminster Academy Charter School, Inc. (a not-for-profit organization) to run the School's operations. Certain funds were transferred to that entity in April 2008. Westminster Community Care Services, Inc. through Senior Health Management Orlando LLC contended that this was an inappropriate action, asserting that the School's principal and board of directors were not authorized to create the separate entity and transfer funds from the School. On June 4, 2008, WCCS closed the School, terminating all employees. These financial statements include the operation of the School as a division of WCCS for the fiscal year June 30, 2008 and the separate entity from April 8, 2008 to June 30, 2008.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Orange County, Florida (the School Board). The charter was effective until June 30, 2010. Per the terms of the charter, in the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. Due to the School closure, certain assets will revert to the School Board. See subsequent events in Note 13.

Basis of presentation - Financial 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 School 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. The School has no permanently restricted net assets at June 30, 2008.

Basis of accounting - The School's financial statements have been prepared on the accrual basis of accounting and conform to the Industry Audit Guide - "Audits of Not-for-Profit Organizations" published by the American Institute of Certified Public Accountants. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Restricted and unrestricted revenue and support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - Continued:

Donated goods and services – Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Property and equipment - Property and equipment are recorded at cost. Donated property and equipment are valued at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 15 years. The School's policy is to capitalize assets the cost of which is \$500 or more and an estimated useful life of greater than one year. There was no property and equipment in the School's possession at June 30, 2008 as they reverted back to the School Board.

Functional expenses - All expenses are incurred in connection with the School's operations, therefore, it is more meaningful to present expenses in their natural classification.

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.

Income taxes – WCCS, of which the School is a division, is organized as a non-profit organization and is currently exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

Cash flows - For the purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue sources – Revenues for current operations are received primarily from the District School Board of Orange County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent 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 calculations 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. The School Board receives a 5% administrative fee from the School.

The School may receive federal awards for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - Continued:

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may be used only for lawful capital outlay expenditures and, as such, are reflected as temporarily restricted net assets (see Note 7) in the accompanying statement of financial position to the extent that they remain unexpended.

2. Cash

At June 30, 2008, the School's cash accounts were as follows:

The School as a division of WCCS:	
SunTrust Bank – operating account	\$ 7,619
Bank of America – depository account	<u>162,498</u>
	<u>170,117</u>
Westminster Academy Charter School, Inc.	
Washington Mutual Bank:	
Checking Account	39,643
Money Market Account	86,464
Donations Account	<u>503</u>
Total (see Note 13)	<u>126,610</u>
Total cash at June 30, 2008	<u><u>\$ 296,727</u></u>

3. Receivable – Other:

Receivable – other at June 30, 2008 consists of a reimbursement of excess payroll taxes paid to the payroll processing company which was refunded subsequent to June 30, 2008.

4. Property and Equipment:

Property and equipment at June 30, 2008 are summarized as follows:

Building improvements	\$ 19,025
Furniture and fixtures	<u>29,602</u>
	48,627
Less accumulated depreciation	<u>(26,322)</u>
Property and equipment, net, prior to disposition	\$ 22,305
Property and equipment disposed of (See Note 13)	<u>(22,305)</u>
Balance at June 30, 2008	<u><u>- 0 -</u></u>

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

5. Related Parties:

At June 30, 2008, the School had \$65,753 due to affiliates, which represents funds (\$65,723) due to Westminster Care of Orlando, a separate division of Westminster Community Care Services, Inc. for therapists, housekeeping, and other expenses paid on behalf of the School and \$30 due to Extencicare, Inc.

6. Operating Leases:

The School leased its portable classrooms under noncancelable operating leases that were due to expire in October 2008. Although the leases are in the name of Westminster Service, Inc. the School made the monthly payments. Aggregate remaining minimum rental commitments at June 30, 2008 under these leases were \$11,080. However, per agreement with the lessor, the portable classrooms were dismantled in August 2008 and returned to the lessor. See Note 13 for expenditures incurred subsequent to year-end for the dismantling and return of the portable classrooms.

Rental expense under these leases for the year ended June 30, 2008 was \$32,587.

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following:

Capital outlay funding – State of Florida (These funds will be used to pay the cost of dismantling and removal of the portable classrooms)	<u>\$ 19,397</u>
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8. Schedule of Florida Education Finance Program Funds:

Following is a schedule of Florida Education Finance Program funds received from the State of Florida through the School Board:

<u>Sources</u>	<u>Amount</u>
District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 511,695
ESE guaranteed allocation	5,761
Class size reduction	116,008
Discretionary millage funds	44,711
Supplemental academic instruction	8,118
Instructional materials	3,239
Discretionary lottery funds	5,616
Safe schools	<u>3,346</u>
Total	<u>\$ 698,494</u>

9. Risk Management Program:

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**WESTMINSTER ACADEMY CHARTER SCHOOL,
A DIVISION OF WESTMINSTER COMMUNITY CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

10. Legal Matters:

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

11. Commitments and Contingencies:

Grants

The School participates in 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, 2008 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.

Concentration of credit risk

The School maintains its cash in bank accounts at three financial institutions. The balances, at times, may exceed the federally insured limits.

12. Retirement Plan:

A 401(k) retirement plan was established through the newly created entity in April 2008. Minimal activity took place with \$110 being contributed on behalf of certain employees.

13. Subsequent Events:

Subsequent to June 30, 2008, certain significant events occurred which are summarized as follows:

Transfer of funds to Orange County School Board – On July 10, 2008, the checking and money market accounts at Washington Mutual Bank were closed and a check for \$126,741 (including a \$635 deposit made after June 30, 2008) was sent to the Orange County School Board. After certain liabilities and amounts due to affiliates are paid after June 30, 2008, approximately \$87,500 in cash will revert to the School Board.

Dismantle Portable Classrooms – In August 2008, the portable classrooms under lease were dismantled and removed by the lessor. The charges for this removal totaled \$17,480 which was paid to the lessor on August 21, 2008. This amount is included in accounts payable at June 30, 2008 as the funds in the capital outlay account maintained by the School Board will cover this expense.

Property and Equipment Revert to School Board - On July 8, 2008, the Orange County School Board removed certain equipment from the School's premises in accordance with the Charter. A dispute exists between the School and the Orange County School Board concerning the existence and location of certain equipment (particularly twelve computers and monitors) as not all of the equipment on the School's books were located.

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

Board of Directors
Westminster Academy Charter School and
Westminster Community Care Services, Inc.

We have audited the financial statements of Westminster Academy Charter School (the School), a division of Westminster Community Care Services, Inc., as of and for the year ended June 30, 2008 and have issued our report thereon dated February 16, 2009. We conducted our audit in accordance with U.S. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described on page 12 as Comments No. 1 and 2 under Auditors' Comments – Current Year.

This report is intended solely for the information and use of management of the School, Westminster Community Care Services, Inc. the District School Board of Orange County, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



February 16, 2009
Orlando, Florida

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

To the Board of Directors of
Westminster Academy Charter School and
Westminster Community Care Services, Inc.

We have audited the financial statements of Westminster Academy Charter School (the School), a division of Westminster Community Care Services, Inc., as of and for the year ended June 30, 2008 and have issued our report thereon dated February 16, 2009.

We conducted our audit in accordance with U.S. 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance. Disclosures in that report, which is dated October 10, 2007, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed two matters that are required to be disclosed. See Comments 1 and 2 on page 12.

Based on our audit procedures performed, no indications came to our attention that caused us to believe that the School met any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of management of the School, Westminster Community Care Services, Inc., the District School Board of Orange County, the Florida Department of Education, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, FL
February 16, 2009

AUDITORS' COMMENTS – CURRENT YEAR
(Management Letter)

COMPLIANCE

1. General Ledger Should Reflect Red Book Accounts

The School's general ledger has been maintained in the chart of accounts that is consistent with the sponsor's coding. However, the School's charter requires the school to utilize the state codification of accounts as contained in the Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book). This is a repeat comment from the prior year.

Management's Response – Due to the closure of the School, management has determined that there is no need to respond to this comment.

OTHER COMMENTS

2. Consider Separate Accounting System

Notwithstanding the School's closure, we reiterate our observations relative to the accounting system utilized by the School.

The School, by virtue of it being part of Westminster Community Care Services, Inc. (WCCS), is included in the accounting system of WCCS. While we understand the logic because WCCS must file a Form 990 as well as other financial reports including all of its activities, it does create problems for the School in reflecting compliance with the School's charter with Orange County School Board. FEFP funding goes into a depository account, while expenditures are made from a WCCS checking account and then allocated to the various School accounts. Periodic reimbursements are then made by the School to WCCS.

Except for payroll and payroll related expenditures that are maintained on-site at WCCS, most of the supporting documentation for other expenses is maintained by the out of state contract accountant. In addition, certain expenses are allocated to the School based on an allocation process that is subject to coding errors. Obtaining documentation to support certain expenditures is sometimes tedious and frustrating for management of the School.

In order to facilitate the accounting for the School's management and evidence compliance with its charter, we recommend consideration be given to establishing a separate accounting system for the School with all revenues and expenditures accounted for in a separate checking account. This is a repeat comment from the prior year.

Management's Response – Due to the closure of the School, management has determined that there is no need to respond to this comment.

STATUS OF PRIOR YEAR FINDINGS

1. General Ledger Should Reflect Red Book Accounts

No change. See Comment No. 1 for the current year.

2. Annual Budget Should Be Prepared

Corrected. We observed a copy of the annual budget for the year ended June 30, 2008..

3. Consider Separate Accounting System

No change. See Comment No. 2 for the current year.

4. Post Adjusting Journal Entries

Corrected. We noted that the prior year journal entries were posted to the School's books.

5. Need Separate Donations Account

Corrected. The School established a separate donations bank account.