



**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
POLK COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON**

JUNE 30, 2009



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**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The discussion and analysis of Memorial Academy, Inc.'s (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Closing of the School

The School's charter was in effect until June 30, 2009. The School's charter was not renewed with the District School Board of Polk County (the District) and the School closed effective June 30, 2009. This is the final annual financial report of the School.

Financial Highlights

Revenues from state and local sources increased 7% (\$163,372), while expenses correspondingly increased 9% (\$201,206). The changes are primarily due to the receipt and use of capital outlay funds.

Using this Financial Report

This report consists of three parts - the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

The first two statements - the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.

The remaining statements - the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by the private sector. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - is one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.

Net Assets

Table 1 provides a comparative summary of the School's net assets for fiscal years 2009 and 2008.

	(Table 1)		
	Net Assets		
	2009	2008	Increase (Decrease)
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current Assets	\$ 250,043	\$ 176,575	\$ 73,468
Capital Assets, net	-	50,213	(50,213)
Total Assets	<u>\$ 250,043</u>	<u>\$ 226,788</u>	<u>\$ 23,255</u>
Liabilities			
Current Liabilities	<u>\$ 170,340</u>	<u>\$ 79,243</u>	<u>\$ 91,097</u>
Net Assets			
Invested in Capital Assets	-	50,213	(50,213)
Restricted for Capital Projects	9,776	-	9,776
Unrestricted	<u>69,927</u>	<u>97,332</u>	<u>(27,405)</u>
Total Net Assets	<u>\$ 79,703</u>	<u>\$ 147,545</u>	<u>\$ (67,842)</u>

The increase in current assets is directly related to capital outlay revenue, which are due to the School, but have not yet been received. Current liabilities increased due to amounts payable to the District and WHLS per the management agreement (see Note 7). Net assets decreased due to depreciation expense in excess of capital asset additions and the excess of expenses over revenues.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

Change in Net Assets

Table 2 shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2009 and 2008.

(Table 2)
Change in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Revenues			
State and Local Sources	\$ 2,374,218	\$ 2,210,846	\$ 163,372
Total Revenues	<u>2,374,218</u>	<u>2,210,846</u>	<u>163,372</u>
Expenses			
Instruction	706,572	1,001,787	(295,215)
Pupil Personnel Services	207,650	165,848	41,802
Instructional Staff Training	26,151	71,731	(45,580)
Board	85,164	28,413	56,751
School Administration	998,445	551,659	446,786
Operation of Plant	387,236	355,548	31,688
Maintenance of Plant	30,842	65,868	(35,026)
Total Expenses	<u>2,442,060</u>	<u>2,240,854</u>	<u>201,206</u>
Change in Net Assets	<u>\$ (67,842)</u>	<u>\$ (30,008)</u>	<u>\$ (37,834)</u>

Total revenues increased as a result of new capital outlay funding, which is partially offset by a decrease in funding due to lower student enrollment. Instruction expenses decreased due to the lower student enrollment. Pupil personnel services increased due to the addition of one employee. Instructional staff training decreased because employees retained from the prior year did not require software training. Board expenses increased due to legal fees incurred as a result of disputes with WHLS and the District (see Note 8). School administration increased due to the additional management fee earned by WHLS per the management agreement (see Note 7). Operation of plant increased due to an increase in rent expense. Maintenance of plant decreased due to fewer repairs being required to the facility.

**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the School's governmental funds reported a combined ending unreserved fund balance of \$69,927.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year.

The School's final general fund budget estimated a \$126,786 carryover to the following year. Actual results produced a carryover of \$69,927.

All budget to actual revenue and expense variances are the result of decreased student enrollment.

Capital Assets

At the end of fiscal year 2009 the School had no amounts invested in capital assets. Table 3 shows comparative balances of capital assets for fiscal years 2009 and 2008.

(Table 3)
Capital Assets
(Net of Depreciation)

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Computer Software	\$ -	\$ 48,027	\$ (48,027)
Audio Visual Materials	-	2,186	(2,186)
	<u>\$ -</u>	<u>\$ 50,213</u>	<u>\$ (50,213)</u>

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

Current Financial Issues

As explained more fully in Note 7 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which include facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. WHLS agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Polk County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by WHLS do not represent a loan or future obligation of the School to WHLS.

For fiscal year 2009, the School's fourth year of operation, WHLS provided no additional support to the School. Since the School closed at the end of the 2008 - 2009 school year, no additional support will be provided by WHLS.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Trudy Crowetz, Financial Manager for Memorial Academy, Inc., 600 N. Congress Ave., Delray Beach, Florida 33445.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Memorial Academy, Inc.
f/k/a Life Skills Center Polk County, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Memorial Academy, Inc. f/k/a Life Skills Center Polk County, Inc., (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 and each major fund of the School as of June 30, 2009, 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.

As discussed in Note 9 to the financial statements, effective July 1, 2009, the School ceased to operate as a charter school.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2009 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 1 - 5 and the budgetary comparison schedule on page 21 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 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.

BKHM, P.A.

Winter Park, Florida
October 5, 2009

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 229,609
Accounts Receivable, net of allowance of \$171,956	20,434
Capital Assets:	
Audio Visual Materials	21,770
Less Accumulated Depreciation	(21,770)
Computer Software	181,988
Less Accumulated Depreciation	<u>(181,988)</u>
Total Capital Assets, net	<u>-</u>
Total Assets	<u><u>\$ 250,043</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 119,226
Due to Management Company	<u>51,114</u>
Total Liabilities	<u>170,340</u>
NET ASSETS	
Restricted for Capital Projects	9,776
Unrestricted	<u>69,927</u>
Total Net Assets	<u>79,703</u>
Total Liabilities and Net Assets	<u><u>\$ 250,043</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 706,572	\$ -	\$ -	\$ (706,572)
Pupil Personnel Services	207,650	-	-	(207,650)
Instructional Staff Training	26,151	-	-	(26,151)
Board	85,164	-	-	(85,164)
School Administration	998,445	-	-	(998,445)
Operation of Plant	387,236	245,884	-	(141,352)
Maintenance of Plant	30,842	30,842	-	-
Total Governmental Activities	\$ 2,442,060	\$ 276,726	\$ -	(2,165,334)
General Revenues:				
State and Local				2,097,492
Total General Revenues				2,097,492
Change in Net Assets				(67,842)
Net Assets - Beginning				147,545
Net Assets - Ending				\$ 79,703

The accompanying notes to financial statements are an integral part of this statement.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 229,609	\$ -	\$ 229,609
Accounts Receivable	-	20,434	20,434
Due from Capital Projects Fund	10,658	-	10,658
Total Assets	<u>\$ 240,267</u>	<u>\$ 20,434</u>	<u>\$ 260,701</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 119,226	\$ -	\$ 119,226
Due to Management Company	51,114	-	51,114
Due to General Fund	-	10,658	10,658
Total Liabilities	<u>170,340</u>	<u>10,658</u>	<u>180,998</u>
FUND BALANCES			
Reserved for Capital Projects	-	9,776	9,776
Unreserved	69,927	-	69,927
Total Fund Balances	<u>69,927</u>	<u>9,776</u>	<u>79,703</u>
Total Liabilities and Fund Balances	<u>\$ 240,267</u>	<u>\$ 20,434</u>	<u>\$ 260,701</u>

The accompanying notes to financial statements are an integral part of this statement.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
State and Local Sources	\$ 2,087,716	\$ 286,502	\$ 2,374,218
Total Revenues	<u>2,087,716</u>	<u>286,502</u>	<u>2,374,218</u>
EXPENDITURES			
Instruction	658,545	-	658,545
Pupil Personnel Services	207,650	-	207,650
Instructional Staff Training	23,965	-	23,965
Board	85,164	-	85,164
School Administration	998,445	-	998,445
Operation of Plant	141,352	245,884	387,236
Maintenance of Plant	-	30,842	30,842
Total Expenditures	<u>2,115,121</u>	<u>276,726</u>	<u>2,391,847</u>
Net Changes in Fund Balances	(27,405)	9,776	(17,629)
Fund Balances, July 1, 2008	<u>97,332</u>	<u>-</u>	<u>97,332</u>
Fund Balances, June 30, 2009	<u>\$ 69,927</u>	<u>\$ 9,776</u>	<u>\$ 79,703</u>

The accompanying notes to financial statements are an integral part of this statement.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2009

Net changes in fund balances - governmental funds	\$	(17,629)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of depreciation expense in the current period.		(50,213)
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Change in net assets of governmental activities	\$	(67,842)
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The accompanying notes to financial statements are an integral part of this statement.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Memorial Academy, Inc., formerly known as Life Skills Center Polk County, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. Effective March 9, 2009, the School changed its name to Memorial Academy, Inc.

The School contracted with WHLS of Florida, LLC (WHLS) for most of its functions. See Note 7.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operated under a charter of the sponsoring school district, the District School Board of Polk County (the "District"). The current charter was effective until June 30, 2009. The charter was not renewed and the School effectively closed as of June 30, 2009. Due to the termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the District and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION (Continued)

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund - to account for the proceeds of capital outlay funds provided to charter schools pursuant to Florida Statutes, Section 1013.62.

For the purposes of these statements, all of the above funds are considered major funds. There are no other governmental funds.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY BASIS OF ACCOUNTING

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

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. 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 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 District.

Under the provisions of Section 1011.62, Florida Statutes, the District 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 (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP 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, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School was eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds, respectively, to the extent that they remain unexpended.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over three years for audio visual materials and computer software.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 7).

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, restricted net assets and unrestricted net assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds consists of approximately \$172,000 of FEFP revenue and \$20,000 of capital outlay revenue due from the District. Due to the dispute with the District (see Note 8) an allowance of approximately \$172,000 is included in School Administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

4. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2009, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Audio Visual Materials	\$ 21,770	\$ -	\$ -	\$ 21,770
Computer Software	181,988	-	-	181,988
Total Capital Assets Being Depreciated	<u>203,758</u>	<u>-</u>	<u>-</u>	<u>203,758</u>
 Less Accumulated Depreciation:				
Audio Visual Materials	(19,584)	(2,186)	-	(21,770)
Computer Software	<u>(133,961)</u>	<u>(48,027)</u>	<u>-</u>	<u>(181,988)</u>
Total Accumulated Depreciation	<u>(153,545)</u>	<u>(50,213)</u>	<u>-</u>	<u>(203,758)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 50,213</u>	<u>\$ (50,213)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense of \$2,186 and \$48,027 was charged to the instructional staff training and instruction functions, respectively, in the accompanying Statement of Activities.

**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)**

5. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2009, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,305,164
Class Size Reduction	304,448
Capital Outlay	286,502
Student Transportation	129,081
Discretionary Millage	90,734
Supplemental Academic Instruction	84,873
ESE Guaranteed Allocation	76,099
Discretionary Tax Equalization Allocation	48,448
Instructional Materials	30,558
Discretionary Lottery Funds	7,818
Other FEFP	7,355
Lead Teacher	2,672
Equal Percentage Adjustment	<u>466</u>
Total State and Local Revenue	<u><u>\$ 2,374,218</u></u>

The administration fee paid to the District during the year ended June 30, 2009 totaled \$104,228, which is reflected as a school administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of the management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance (see Note 7).

Director and Officer - Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)**

7. AGREEMENT WITH WHLS AND DUE TO MANAGEMENT COMPANY

The School entered into an annual Management Agreement (Agreement) with WHLS, an educational consulting and management company. The School's Board notified WHLS six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School had been contracted to WHLS. WHLS was responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School was required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee was paid to WHLS based on the previous month's qualified gross revenues less any fees the School was required to remit to the District. The continuing fee earned by WHLS for the year ended June 30, 2009 was \$2,024,610. WHLS was responsible for all costs incurred in providing the educational program at the School, which included but were not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

Per the Agreement, no other amounts were required other than the continuing fee as calculated above. For year ended June 30, 2009, the continuing fee paid to WHLS included a \$278,170 management fee over and above the direct site expenses of the School itself. This amount is reflected within the "School Administration" function in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Aside from those items defined as direct site costs, "School Administration" also includes a certain amount of indirect cost that is incurred by WHLS in managing the School. These indirect costs include expenses incurred in such areas as curriculum, human resources, finance/grants management, facilities, marketing, etc. which are focused on supporting the operations of the School. The actual management fee paid to WHLS goes towards offsetting these indirect costs.

Accounts receivable included in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds includes approximately \$172,000 of FEFP revenue. If the School collects any or all of this receivable, 97% of the amount received will be due to WHLS in accordance with the Agreement. However, the School has recorded an allowance against the receivable due to the uncertainty of collection (see Note 3).

MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

8. CONTINGENCES AND LEGAL MATTERS

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Legal Matters

The School has become party to various legal actions between WHLS and the District. The District conducted an audit of the School's full time equivalency ("FTE") student records and made a claim against the School in the amount of approximately \$102,000 for overpayment of funding under FEFP. WHLS and the District each claim that they have rights to funds in dispute. The outcome of the suit cannot yet be determined. The School has recorded a liability for approximately \$102,000, which is included in accounts payable in the accompanying Statement of Net Assets and in the accompanying Balance Sheet – Governmental Funds and has reduced the amount due to WHLS by approximately \$99,000, per the management agreement (see Note 7).

Subsequent to year end, the School remitted to the District approximately \$3,000 (3% of the original claim). After this remittance, the School has acknowledged that they are not entitled to the funds in dispute of approximately \$99,000 with WHLS and the District and placed the remaining balance in an interpleader with the courts.

In the normal course of conducting its operations, the School occasionally becomes party to various other 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.

9. CLOSING OF THE SCHOOL

The School's charter was in effect until June 30, 2009 with the District School Board of Polk County. The charter was not renewed and the School effectively closed June 30, 2009. This is the final annual financial report for the School.

**MEMORIAL ACADEMY, INC.
f/k/a LIFE SKILLS CENTER POLK COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
State and Local Sources	\$ 2,048,460	\$ 2,087,716	\$ 39,256
Other Revenue	<u>417,172</u>	<u>-</u>	<u>(417,172)</u>
Total Revenues	<u>2,465,632</u>	<u>2,087,716</u>	<u>(377,916)</u>
EXPENDITURES			
Instruction	1,065,083	658,545	406,538
Pupil Personnel Services	248,221	207,650	40,571
Instructional Staff Training	22,676	23,965	(1,289)
Board	32,000	85,164	(53,164)
School Administration	519,234	998,445	(479,211)
Operation of Plant	496,999	141,352	355,647
Maintenance of Plant	<u>51,965</u>	<u>-</u>	<u>51,965</u>
Total Expenditures	<u>2,436,178</u>	<u>2,115,121</u>	<u>321,057</u>
Net Changes in Fund Balances	29,454	(27,405)	(56,859)
Fund Balance, July 1, 2008	<u>97,332</u>	<u>97,332</u>	<u>-</u>
Fund Balance, June 30, 2009	<u>\$ 126,786</u>	<u>\$ 69,927</u>	<u>\$ (56,859)</u>

See report of independent auditors.



**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Memorial Academy, Inc.
f/k/a Life Skills Center Polk County, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the financial statements of the governmental activities and each major fund of Memorial Academy, Inc. f/k/a Life Skills Center Polk County, Inc., (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described as follows:

2009-1: Review and Update Budgeted Revenues and Expenditures on a Regular Basis: We noted that management of the School did not revise its budgeted revenues or expenditures during fiscal 2009. This resulted in certain significant budget variances due to unanticipated changes during the fiscal year. Financial control of the School will be improved if management periodically reviews the budget and makes amendments to reflect significant changes in operations during the year. All official budget amendments should be approved by the Board of Directors.

Florida Statutes also provide that a governmental entity should not make expenditures in excess of its approved budget; therefore, updated and approved budgets are important to ensure compliance with Florida Statutes.

2009-2: Remittance of Funds Under the WHLS Management Agreement: Based on the Agreement discussed in Note 7 to the financial statements, the School is required to remit 97% of FEFP revenues to WHLS. During our audit procedures, we noted the School failed to timely remit FEFP funds to WHLS as required by the Agreement.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 28. We did not audit the School's response and, accordingly, we express no opinion on it.

Other Audits

During fiscal year 2009, the District performed an audit of the School's FTE student records. As a result of its audit, the District has requested approximately \$102,000 in FEFP funds to be refunded. See Note 8 to the financial statements for further information.

This report is intended for the information and use of management of the School, the District, 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.

BKHM, P.A.

Winter Park, Florida
October 5, 2009

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS
AND SIMILAR ENTITIES***



To the Board of Directors of Memorial Academy, Inc.
f/k/a Life Skills Center Polk County, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the financial statements of the governmental activities and each major fund of Memorial Academy, Inc. f/k/a Life Skills Center Polk County, Inc., (the "School"), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 5, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated October 5, 2009, 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, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have



occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the School. The name of the School is Memorial Academy, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions 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 as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management of the School, the Board of Directors and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
October 5, 2009



Memorial Academy Inc., f/k/a. Life Skills Center Polk County Inc., Board of Directors' Response to Annual Audit Findings

2009-1: Review and update budgeted revenues and expenditures on a regular basis: In accordance with the Management Agreement, White Hat Management Company handled the finances including the budget and budget preparation. Amy Rohner was the White Hat finance employee that worked with Life Skills Polk. The Board of Directors approved the budget and any budget amendments that were brought to us for a vote. Ms Rohner paid all the bills, prepared the financial statements, presented the monthly statements to the Board and handled all the finances per the Management Agreement. The Board only had control of 3% of the revenue, leaving White Hat Management in control of 97% and responsible for the revisions of the budgeted revenues and expenditures.

2009-2: Remittance of Funds Under the WHLS Management Agreement: The Board of Directors remitted 97% of the funds whenever Ms Rohner sent a wire transfer form to Andrea Whiteley, the Board President. Ms Rohner was the one that did not timely submit a request for a transfer of funds. The Board did not transfer funds during the months of April and May due to an FTE audit performed by the Polk County School District. The Board wanted to make sure there was money in the account to pay the School District if the District found discrepancies and fined the School. As soon as the Life Skills Board received the invoice from the Polk County School Board, Mrs. Whiteley transferred all monies owed to White Hat withholding the 97% of the amount owed to the School District.

Board of Directors
Memorial Academy, Inc.
f/k/a Life Skills Center Polk County, Inc.