

**JFK MEDICAL CENTER CHARTER
SCHOOL, INC.**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Report of Independent Auditors

To the Stockholders and Directors
LFI Fort Pierce, Inc.

We have audited the accompanying balance sheets of LFI Fort Pierce, Inc. (an S Corporation) as of December 31, 2009 and 2008, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LFI Fort Pierce, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Templeton & Company, LLP

West Palm Beach, Florida
September 15, 2010

Independent Auditors' Report

To the Board of Directors
JFK Medical Center Charter School, Inc.

We have audited the accompanying basic financial statements of JFK Medical Center Charter School, Inc. (a non-profit organization), as of and for the year ended June 30, 2010, as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFK Medical Center Charter School, Inc. as of June 30, 2010, and the changes in its net assets 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 September 15, 2010, 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 for that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2-3 and 12-13, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Templeton & Company, LLP

West Palm Beach, Florida
September 15, 2010

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

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Independent Auditors' Report

To the Board of Directors
JFK Medical Center Charter School, Inc.

We have audited the accompanying basic financial statements of JFK Medical Center Charter School, Inc. (a non-profit organization), as of and for the year ended June 30, 2010, as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFK Medical Center Charter School, Inc. as of June 30, 2010, and the changes in its net assets 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 September 15, 2010, 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 for that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2-3 and 12-13, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Templeton & Company, LLP

West Palm Beach, Florida
September 15, 2010

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JFK Medical Center Charter School, Inc. (the School) is a non-profit organization that operates a public charter school in Palm Beach County, Florida, under the sponsorship of the School District of Palm Beach County (the District).

Our discussion and analysis of the School's financial performance provides an overview of the School's activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which begin on Page 4.

Overview of financial statements presented

This management's discussion and analysis introduces the School's basic financial statements as of and for the fiscal year ended June 30, 2010. The basic financial statements include government-wide financial statements, governmental fund financial statements and the related notes to the financial statements.

Government-wide financial statements

The School's government-wide financial statements use a format similar to that of a commercial enterprise and are prepared on the accrual basis of accounting. The statement of net assets presents all of the School's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets represent an indicator of the financial health of the School. The statement of activities reports the School's revenues and expenses for the fiscal year and includes the sources of the various School revenues.

Governmental fund financial statements

Governmental funds are reported in the fund financial statements and include essentially the same activities as in the government-wide financial statements. The focus of the governmental fund financial statements is to provide a view of the School's government funds in order to help the user evaluate the annual financing requirements of governmental programs and the commitment of expendable resources in the near term. The governmental funds include the general fund and capital projects fund. For the School, the primary difference from the government-wide financial statements is the exclusion of fixed assets and related depreciation expense.

Financial highlights

The financial highlights for the fiscal year ended June 30, 2010 are as follows:

- The School's total assets at June 30, 2010 exceed its liabilities by \$223,269, representing the School's net investment in capital assets. This is an increase of \$79,532 from the net investment in capital assets of \$143,737 at June 30, 2009.
- The School's revenues from full-time equivalent students increased to \$3,039,460 for the year ended June 30, 2010 from \$2,845,459 for the year ended June 30, 2009 as a result of an increase in the number of students and an increase in subsidy rates during the school year.
- The School's capital outlay revenue decreased from \$243,251 for the year ended June 30, 2009 to \$236,467 for the year ended June 30, 2010 as a result of a decrease in funding from the Palm Beach County School Board.
- Instruction expenses increased to \$2,087,964 during the year ended June 30, 2010 from \$1,875,212 for the year ended June 30, 2009 primarily due to increases in instructional payroll as a result of increased student counts.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial highlights, continued

- Actual revenues for the year ended June 30, 2010 exceeded budgeted revenues by approximately \$500,000 primarily due to increased subsidies received.
- Actual expenses for the year ended June 30, 2010 exceeded budgeted expenses by approximately \$420,000 primarily as a result of increased expenses in the area of instruction, school administration, and operation of plant.

Condensed financial information

Condensed government - wide financial information is presented below:

Net Assets at June 30,

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 596,926	\$ 812,807	\$ -	\$ -	\$ 596,926	\$ 812,807
Capital assets, net	<u>223,269</u>	<u>143,737</u>	<u>-</u>	<u>-</u>	<u>223,269</u>	<u>143,737</u>
Total assets	<u>820,195</u>	<u>956,544</u>	<u>-</u>	<u>-</u>	<u>820,195</u>	<u>956,544</u>
Current liabilities	<u>596,926</u>	<u>812,807</u>	<u>-</u>	<u>-</u>	<u>596,926</u>	<u>812,807</u>
Total net assets	<u>\$ 223,269</u>	<u>\$ 143,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,269</u>	<u>\$ 143,737</u>

Changes in Net Assets for the Year Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
FEFP fees	\$ 3,039,460	\$ 2,845,459	\$ -	\$ -	\$ 3,039,460	\$ 2,845,459
Other	<u>1,160,713</u>	<u>1,173,658</u>	<u>-</u>	<u>-</u>	<u>1,160,713</u>	<u>1,173,658</u>
Total revenues	<u>4,200,173</u>	<u>4,019,117</u>	<u>-</u>	<u>-</u>	<u>4,200,173</u>	<u>4,019,117</u>
Program expenses:						
Instruction	2,087,964	1,875,212			2,087,964	1,875,212
Rent – Bright Horizons	587,561	699,050			587,561	699,050
Other	<u>1,445,116</u>	<u>1,450,186</u>	<u>-</u>	<u>-</u>	<u>1,445,116</u>	<u>1,450,186</u>
Total expenses	<u>4,120,641</u>	<u>4,024,448</u>	<u>-</u>	<u>-</u>	<u>4,120,641</u>	<u>4,024,448</u>
Increase (decrease) in net assets	<u>\$ 79,532</u>	<u>\$ (5,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,532</u>	<u>\$ (5,331)</u>

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 596,926	\$ -	\$ 596,926
Property and equipment:			
Furniture, fixtures and equipment	668,453	-	668,453
Less: accumulated depreciation	<u>445,184</u>	<u>-</u>	<u>445,184</u>
Property and equipment, net	<u>223,269</u>	<u>-</u>	<u>223,269</u>
Total assets	<u>\$ 820,195</u>	<u>\$ -</u>	<u>\$ 820,195</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 596,926	\$ -	\$ 596,926
NET ASSETS			
Invested in capital assets	223,269	-	223,269
Unrestricted net assets	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>223,269</u>	<u>-</u>	<u>223,269</u>
Total liabilities and net assets	<u>\$ 820,195</u>	<u>\$ -</u>	<u>\$ 820,195</u>

See accompanying notes to financial statements.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 2,087,964	\$ -	\$ -	\$ (2,087,964)	\$ -	\$ (2,087,964)
School administration	702,079	-	-	(702,079)	-	(702,079)
Rent - Bright Horizons	587,561	-	-	(587,561)	-	(587,561)
Fiscal services	203,805	-	-	(203,805)	-	(203,805)
Pupil transportation services	60,057	-	-	(60,057)	-	(60,057)
Operation of plant	479,175	-	-	(479,175)	-	(479,175)
Total governmental activities	4,120,641	-	-	(4,120,641)	-	(4,120,641)
Total business type activities	-	-	-	-	-	-
Total government	\$ 4,120,641	\$ -	\$ -	(4,120,641)	-	(4,120,641)
General revenues:						
FEPP fees				3,039,460	-	3,039,460
Capital outlay grant				236,467	-	236,467
Subsidized income - JFK				738,711	-	738,711
Other income				185,535	-	185,535
Total general revenues				4,200,173	-	4,200,173
Change in net assets				79,532	-	79,532
Net assets, beginning of year				143,737	-	143,737
Net assets, end of year				\$ 223,269	\$ -	\$ 223,269

See accompanying notes to financial statements.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 596,926	\$ -	\$ 596,926
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	\$ 596,926	\$ -	\$ 596,926
Fund balance:			
Undesignated	-	-	-
Total liabilities and fund balance	\$ 596,926	\$ -	\$ 596,926

RECONCILIATION WITH GOVERNMENT - WIDE FINANCIAL STATEMENTS

June 30, 2010

Fund balance at June 30, 2010 - above	\$ -
Cost of property and equipment, net of accumulated depreciation at June 30, 2010 per statement of net assets	<u>223,269</u>
Net assets at June 30, 2010 per statement of net assets	<u>\$ 223,269</u>

See accompanying notes to financial statements.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
General revenues:			
FEFP fees	\$ 3,039,460	\$ -	\$ 3,039,460
Capital outlay grant	236,467	-	236,467
Subsidized income - JFK	738,711	-	738,711
Other income	<u>185,535</u>	<u>-</u>	<u>185,535</u>
	<u>4,200,173</u>	<u>-</u>	<u>4,200,173</u>
Expenditures:			
Instruction	2,087,964	-	2,087,964
School administration	702,079	-	702,079
Rent - Bright Horizons	587,561	-	587,561
Fiscal services	203,805	-	203,805
Pupil transportation services	60,057	-	60,057
Operation of plant	<u>558,707</u>	<u>-</u>	<u>558,707</u>
	<u>4,200,173</u>	<u>-</u>	<u>4,200,173</u>
Change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**RECONCILIATION WITH GOVERNMENT - WIDE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

Net change in fund balance for the year ended June 30, 2010 - above	\$ -
Expenditures for capital assets during the year ended June 30, 2010 in government fund financial statements	134,252
Depreciation recorded during the year ended June 30, 2010 in government-wide financial statements	<u>(54,720)</u>
Change in net assets for the year ended June 30, 2010 per statement of activities	<u><u>\$ 79,532</u></u>

See accompanying notes to financial statements.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Nature of activities

JFK Medical Center Charter School, Inc. (the School), located in Lake Worth, Florida, was established as a nonprofit organization in April, 2002 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (the Contract) with the School District of Palm Beach County, Florida (the District). Under the Contract, the School provides an in-the-work-place school for the employees of JFK Medical Center (JFK). The School serves other students in Palm Beach County if space is available.

The Contract is effective through June 2017. The Contract requires the District to provide the School's primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

Government - wide financial statements

The government - wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the School as a whole. Program revenues include charges for services, operating grants and contributions, including restricted investment income, which finance annual operating activities, and capital grants and contributions which fund the acquisition of capital assets.

Governmental fund financial statements

Governmental fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

All the activities of the School are classified as governmental type activities. There are no business type activities.

Basis of accounting

The governmental-wide financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its statements and interpretations. The activities in the financial statements are presented on the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. Expenditures are recorded when the related liability is incurred.

Cash and cash equivalents

Cash and cash equivalents include money market accounts and certificates of deposit with an original maturity of three months or less. The School maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally-insured limits. The School has not experienced any losses with respect to cash and cash equivalents.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets ranging from five to ten years.

Contributed services and facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Income taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

Effective July 1, 2009, the School adopted the provisions of FASB ASC 740, *Uncertainty in Income Taxes*, which requires management to analyze tax positions in jurisdictions where it is required to file income tax returns. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2010 or 2009. The adoption of FASB ASC 740 had no significant impact on the School's financial statements.

Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease.

Revenue from government agencies

The School receives a substantial amount of its revenue from the State of Florida through the Florida Education Finance Program (FEFP). A significant reduction in the level of this revenue may have a substantial effect on the School's programs, activities, and its ability to continue operations.

Note 2 – Property and Equipment

Property and equipment includes the following at June 30, 2010:

Furniture, fixtures and equipment	\$ 668,453
Less: accumulated depreciation	<u>(445,184)</u>
Property and equipment, net	<u>\$ 223,269</u>

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 – Related Parties Transactions

Management agreement and accounting services contract

On August 6, 2003, the School entered into a management agreement (the Agreement) that expires in 2018 with Bright Horizons, Inc. (Bright Horizons). Under the terms of the Agreement, Bright Horizons provides all administrative and management services necessary to operate the School. The School has the option to renew the agreement for up to an additional 15 years. The management fee is equal to 5% of gross revenues. The Agreement also provides for Bright Horizons to receive an annual corporate services fee equal to 7% of capacity revenues (the base student allocation received from the State or District).

Management and corporate services fees approximated \$390,000 for the year ended June 30, 2010.

Lease agreement

The School leases its administrative and classroom facilities under an operating lease with Bright Horizons that expires in 2017. The School has options to renew the lease for unlimited five year terms. Monthly rents due under the lease are \$67,829 which was determined based on the approximate value of the land and buildings used by the School of \$7,556,000 at the inception of the lease, a 10.5% interest rate, and a 30-year term.

Under the terms of the lease, Bright Horizons is paid capital outlay amounts received from the District, plus earnings from the School's operations, in lieu of the rentals otherwise due under the lease. Such capital outlay amounts and earnings are significantly less than the minimum lease amounts specified in the lease. For financial reporting purposes, rent expense is recorded as amounts become payable under the lease. The aggregate shortfall at June 30, 2010, representing the excess of amounts due over the amounts payable under the lease, of approximately \$1,725,000, is not recorded in the accompanying basic financial statements.

Specified minimum rentals due under the lease during each of the five years subsequent to June 30, 2010, and thereafter, are presented as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 812,460
2012	812,460
2013	812,460
2014	812,460
2015	812,460
Thereafter	<u>1,594,920</u>
Total	<u>\$ 5,657,220</u>

JFK MEDICAL CENTER CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 4 – JFK Medical Center Agreement

Bright Horizons entered into a 15-year sponsorship agreement with JFK whereby the School receives an annual sponsorship fee. The sponsorship agreement requires JFK to subsidize certain facility operating expenses and allows JFK the reasonable use of the School classrooms and public areas to conduct and present educational programs and classes.

During the year ended June 30, 2010, the School received the following amounts under this agreement:

Sponsorship fee	\$ 262,107
Subsidized expenses	<u>476,604</u>
Total	<u>\$ 738,711</u>

Note 5 – Significant Funding Source

The School receives funding from the State of Florida based on the number of FTES who attend the School. The data is compiled by the School and is subject to audit by the State and, if errors are found, could result in amounts having to be repaid to the State or decreases in future allocations. Management believes that the amounts that would be remitted back to the State due to errors in their FTES count, if any, would not be material to the School's financial statements.

Note 6 – Subsequent Events

The School evaluated its activities subsequent to June 30, 2010 through September 15, 2010 for events that require recognition in the 2010 financial statements or disclosure in the notes thereto.

JFK MEDICAL CENTER CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES - BUDGET TO ACTUAL COMPARISON
For the Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
FEFP fees	\$ 3,039,460	\$ 3,039,460	\$ -
Capital outlay funding	255,991	236,467	(19,524)
Subsidized income - JFK	262,353	738,711	476,358
Other income	<u>140,658</u>	<u>185,535</u>	<u>44,877</u>
Total revenues	<u>3,698,462</u>	<u>4,200,173</u>	<u>501,711</u>
Expenses:			
Instruction	1,993,061	2,087,964	(94,903)
School administration	505,627	702,079	(196,452)
Rent - Bright Horizons	730,043	587,561	142,482
Fiscal services	278,327	203,805	74,522
Pupil transportation services	35,700	60,057	(24,357)
Operation of plant	<u>155,704</u>	<u>479,175</u>	<u>(323,471)</u>
Total expenses	<u>3,698,462</u>	<u>4,120,641</u>	<u>(422,179)</u>
Change in net assets	<u>\$ -</u>	79,532	<u>\$ 79,532</u>
Net assets, beginning of year		<u>143,737</u>	
Net assets, end of year		<u>\$ 223,269</u>	

JFK MEDICAL CENTER CHARTER SCHOOL, INC.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL COMPARISON - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
FEFP fees	\$ 3,039,460	\$ 3,039,460	\$ -
Capital outlay funding	255,991	236,467	(19,524)
Subsidized income - JFK	262,353	738,711	476,358
Other income	<u>140,658</u>	<u>185,535</u>	<u>44,877</u>
Total revenues	<u>3,698,462</u>	<u>4,200,173</u>	<u>501,711</u>
Expenses:			
Instruction	1,993,061	2,087,964	(94,903)
School administration	505,627	702,079	(196,452)
Rent - Bright Horizons	730,043	587,561	142,482
Fiscal services	278,327	203,805	74,522
Pupil transportation services	35,700	60,057	(24,357)
Operation of plant	<u>155,704</u>	<u>558,707</u>	<u>(403,003)</u>
Total expenses	<u>3,698,462</u>	<u>4,200,173</u>	<u>(501,711)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year		-	
Fund balance, end of year		<u>\$ -</u>	

**Independent Auditor's 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***

The Board of Directors
JFK Medical Center Charter School, Inc.

We have audited the financial statements of JFK Medical Center Charter School, Inc. (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. 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 and *Chapter 10.850 Rules of the Auditor General, State of Florida*.

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 opinion 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 a more than 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 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 or other matters that are required to be reported in accordance with *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, federal and state awarding agencies, the School Board of Palm Beach County and others within the School and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Templeton & Company, LLP

West Palm Beach, Florida
September 15, 2010

Management Letter

The Board of Directors
JFK Medical Center Charter School, Inc.

We have audited the basic financial statements of JFK Medical Center Charter School, Inc. (a non-profit organization) as of and for the year ended June 30, 2010 and have issued our report thereon dated September 15, 2010.

We have also issued our Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated September 15, 2010. Disclosures in this report, if any, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General require that we comment as to whether or not irregularities reported in the preceding annual financial audit report have been corrected. There were no irregularities disclosed in the preceding annual financial audit report.

The Rules of the Auditor General require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report as noted.

Pursuant to the Rules of the Auditor General (Rule 10.854(1)(e)7), we applied financial condition assessment procedures. It is management's responsibility to monitor JFK Medical Center Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representation made by management and the review of financial information provided by the same.

The Rules of Auditor General require disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and on internal control over financial reporting: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions which may or may not materially affect the basic financial statements; improper expenditures which may or may not materially affect the basic financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); and failures to properly record financial transactions. Our audit disclosed the following matters required to be addressed by the Rules of the Auditor General:

Prior Year Findings and Recommendations

None noted.

Current Year Findings and Recommendations

None noted.

Violations of Laws, Rules, Regulations, and Contractual Provisions

As more fully set forth in our separate report on compliance and on internal control over financial reporting, during the course of our audit, no violations of laws, rules, regulations, or contractual provisions, which occurred or were likely to have occurred and which may or may not have materially affected the financial statements, were discovered within the scope of the financial audit.

Improper Expenditures

As more fully set forth in our separate report on compliance and on internal control over financial reporting, during the course of our audit, no improper expenditures, which may or may not have materially affected the financial statements, were discovered within the scope of the financial audit.

Deficiencies in Internal Control that are not Reportable Conditions

No improper or inadequate accounting procedures or failures to properly record financial transactions were noted.

Deteriorating financial condition

None of the conditions in Section 218.503(1), Florida Statute were met.

Other Matters

This management letter is intended solely for the information of the JFK Medical Center Charter School, Inc., management, the School Board of Palm Beach County, Florida, and the Auditor General of the State of Florida. However, this report is a matter of public record and its distribution is not limited.

Templeton & Company, LLP

West Palm Beach, Florida
September 15, 2010