

**WESTERN ACADEMY, INC. D/B/A  
WESTERN ACADEMY CHARTER SCHOOL  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

# WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL

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## Independent Auditors' Report

To the Board of Directors  
Western Academy, Inc.

We have audited the accompanying basic financial statements of Western Academy, Inc. d/b/a Western Academy Charter School (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 Western Academy, 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 28, 2010, 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, 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 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 2-4 and 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 28, 2010

# WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Western Academy, Inc. d/b/a Western Academy Charter School (the School) 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 5.

For financial statement purposes, the School is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting. The School has included separate financial statements for the governmental fund, consisting of a balance sheet and statement of revenues, expenditures and changes in fund balance.

### 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.

#### **Government fund financial statements**

Governmental funds are reported in the governmental 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 \$1,026,080.
- Principally due to an increase in enrollment, the School's revenues from full-time equivalent students increased to \$1,873,520 for the year ended June 30, 2010 from \$1,571,655 for the year ended June 30, 2009.
- The School's capital outlay revenue increased from \$141,726 for the year ended June 30, 2009 to \$154,293 for the year ended June 30, 2010 due to the increased enrollment.
- Instruction expenses increased to \$1,359,425 during the year ended June 30, 2010 from \$1,076,709 for the year ended June 30, 2009 primarily due to increases in instructional payroll resulting from the increased student counts.

Total budgeted revenues and expenses approximated actual with minimal variances.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Non-financial highlights

The School had approximately 300 students enrolled for the school year 2009-2010 and has budgeted for 360 students for the next school year 2010-2011.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-12 of this report.

Condensed financial information

Condensed government-wide financial information is presented below:

**Net Assets at June 30, 2010**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 641,304	\$ -	\$ 641,304
Capital assets, net	<u>476,969</u>	<u>-</u>	<u>476,969</u>
Total assets	1,118,273	-	1,118,273
Liabilities (all current)	<u>92,193</u>	<u>-</u>	<u>92,193</u>
Total net assets	<u>\$ 1,026,080</u>	<u>\$ -</u>	<u>1,026,080</u>
Net asset composition:			
Invested in capital assets	\$ 476,969	\$ -	\$ 476,969
Unrestricted	<u>549,111</u>	<u>-</u>	<u>549,111</u>
Total net assets	<u>\$ 1,026,080</u>	<u>\$ -</u>	<u>\$ 1,026,080</u>

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Condensed financial information, continued

**Statement of Activities for the Year Ended  
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
FEEP fees	\$ 1,873,520	\$ -	\$ 1,873,520
IDEA	85,535	-	85,535
Capital outlay	154,293	-	154,293
After-care	97,234	-	97,234
Other	<u>64,926</u>	<u>-</u>	<u>64,926</u>
Total revenues	<u>2,275,508</u>	<u>-</u>	<u>2,275,508</u>
<b>Program expenses:</b>			
Instruction	1,359,425	-	1,359,425
School administration	260,174	-	260,174
Operation of plant	455,550	-	455,550
Board of directors	13,862	-	13,862
After-care	88,552	-	88,552
Fiscal services	<u>5,196</u>	<u>-</u>	<u>5,196</u>
Total expenses	<u>2,182,759</u>	<u>-</u>	<u>2,182,759</u>
Increase in net assets	<u>\$ 92,749</u>	<u>\$ -</u>	<u>\$ 92,749</u>

Capital assets

As of June 30, 2010, the School had \$476,969 invested in capital assets, as shown below:

Building improvements	\$ 478,999
Furniture, fixtures and computer equipment	<u>233,423</u>
Subtotal	712,422
Accumulated depreciation	<u>(235,453)</u>
Capital assets, net	<u>\$ 476,969</u>

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**STATEMENT OF NET ASSETS**

**June 30, 2010**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 596,594	\$ -	\$ 596,594
Accounts receivable	18,265	-	18,265
Deposits	11,378	-	11,378
Prepaid expenses	<u>15,067</u>	<u>-</u>	<u>15,067</u>
Total current assets	<u>641,304</u>	<u>-</u>	<u>641,304</u>
Property and equipment:			
Building improvements	478,999	-	478,999
Furniture, fixtures and computer equipment	<u>233,423</u>	<u>-</u>	<u>233,423</u>
Subtotal	712,422	-	712,422
Less: accumulated depreciation	<u>(235,453)</u>	<u>-</u>	<u>(235,453)</u>
Property and equipment, net	<u>476,969</u>	<u>-</u>	<u>476,969</u>
Total assets	<u>\$ 1,118,273</u>	<u>\$ -</u>	<u>\$ 1,118,273</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	<u>\$ 92,193</u>	<u>\$ -</u>	<u>\$ 92,193</u>
<b>NET ASSETS</b>			
Invested in capital assets	476,969	-	476,969
Unrestricted net assets	<u>549,111</u>	<u>-</u>	<u>549,111</u>
Total net assets	<u>1,026,080</u>	<u>-</u>	<u>1,026,080</u>
Total liabilities and net assets	<u>\$ 1,118,273</u>	<u>\$ -</u>	<u>\$ 1,118,273</u>

See accompanying notes to financial statements.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**  
**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	\$ 1,359,425	\$ -	\$ -	\$ (1,359,425)	\$ -	\$ (1,359,425)
School administration	260,174	-	-	(260,174)	-	(260,174)
Operation of plant	455,550	-	-	(455,550)	-	(455,550)
Board of directors	13,862	-	-	(13,862)	-	(13,862)
After-care	88,552	-	-	(88,552)	-	(88,552)
Fiscal services	5,196	-	-	(5,196)	-	(5,196)
Total governmental activities	2,182,759	-	-	(2,182,759)	-	(2,182,759)
Total business type activities	-	-	-	-	-	-
Total government	\$ 2,182,759	\$ -	\$ -	(2,182,759)	-	(2,182,759)
General revenues:						
FEEP fees				1,873,520	-	1,873,520
IDEA				85,535	-	85,535
Capital outlay				154,293	-	154,293
After-care				97,234	-	97,234
Other income				64,926	-	64,926
Total general revenues				2,275,508	-	2,275,508
Change in net assets				92,749	-	92,749
Net assets, beginning of year				933,331	-	933,331
Net assets, end of year				\$ 1,026,080	\$ -	\$ 1,026,080

See accompanying notes to financial statements.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2010**

	<u>General Fund</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 596,594	\$ -	\$ 596,594
Accounts receivable	18,265	-	18,265
Prepaid expense	15,067	-	15,067
Deposits	<u>11,378</u>	<u>-</u>	<u>11,378</u>
 Total assets	 <u>\$ 641,304</u>	 <u>\$ -</u>	 <u>\$ 641,304</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 92,193	\$ -	\$ 92,193
Fund balance:			
Undesignated	<u>549,111</u>	<u>-</u>	<u>549,111</u>
 Total liabilities and fund balance	 <u>\$ 641,304</u>	 <u>\$ -</u>	 <u>\$ 641,304</u>

**RECONCILIATION WITH GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**June 30, 2010**

Fund balance at June 30, 2010 - above	\$ 549,111
Cost of property and equipment, net of accumulated depreciation at June 30, 2010 per statement of net assets	<u>476,969</u>
Net assets at June 30, 2010 per statement of net assets	<u>\$ 1,026,080</u>

See accompanying notes to financial statements.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2010**

	General Fund	Capital Project	Total Governmental Funds
General revenues:			
FEFP fees	\$ 1,873,520	\$ -	\$ 1,873,520
IDEA	85,535	-	85,535
Capital outlay	154,293	-	154,293
After-care	97,234	-	97,234
Other income	64,926	-	64,926
	2,275,508	-	2,275,508
Expenditures:			
Instruction	1,359,425	-	1,359,425
School administration	260,174	-	260,174
Operation of plant	493,243	-	493,243
Board of directors	13,862	-	13,862
After-care	88,552	-	88,552
Fiscal services	5,196	-	5,196
	2,220,452	-	2,220,452
Change in fund balance	55,056	-	55,056
Fund balance, beginning of year	494,055	-	494,055
Fund balance, end of year	\$ 549,111	\$ -	\$ 549,111

**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	\$ 55,056
Expenditures for capital assets during the year ended June 30, 2010 in governmental fund financial statements	89,915
Depreciation recorded during the year ended June 30, 2010 in government-wide financial statements	(52,222)
Change in net assets for the year ended June 30, 2010 per statement of activities	\$ 92,749

See accompanying notes to financial statements.

# WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies

#### Organization and nature of activities

Western Academy, Inc. d/b/a Western Academy Charter School (the School) was established as a nonprofit organization in June 2003 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 School District). Under the Contract, the School provides an education to children from pre-kindergarten through the eighth grade who reside in Palm Beach County in and around the City of Royal Palm Beach. For financial statement purposes, the School is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

In April 2010, the Contract was renewed for five years beyond its June 30, 2018 date to June 30, 2023. The Contract requires the School 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 government-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.

WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

**Note 1 – Summary of Significant Accounting Policies, Continued**

Property and equipment

Capital assets purchased or acquired with an original cost of \$750 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Building improvements	20 years
Furniture, fixtures and computer equipment	5-10 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.

The School adopted the provisions of FASB ASC 740 (formerly FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48)). Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the School's financial statements. The School does not believe there are any uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of July 1, 2009 as a result of the adoption of FIN 48. For the year ended June 30, 2010, no interest or penalties were recorded in the School's financial statements.

Concentration of credit risk

Financial instruments that subject the School to concentrations of credit risk include cash and cash equivalents. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The School has not experienced any losses on such balances.

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.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Property and Equipment**

Property and equipment activity for the year ended June 30, 2010 is presented as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Building improvements	\$ 414,876	\$ 64,123	\$ -	\$ 478,999
Furniture, fixtures and computer equipment	<u>208,271</u>	<u>25,792</u>	<u>-</u>	<u>233,423</u>
	623,147	89,915	-	712,422
Accumulated depreciation	<u>(183,871)</u>	<u>(52,222)</u>	<u>-</u>	<u>(235,453)</u>
Property and equipment, net	<u>\$ 439,276</u>	<u>\$ 37,693</u>	<u>\$ -</u>	<u>\$ 476,969</u>

**Note 3 - Defined Benefit Pension Plan**

Plan description

The School participates in the Florida Retirement System (FRS), a cost-sharing multiemployer public retirement system (PERS), which covers substantially all of the School's full time and part-time employees. All eligible employees, as defined by the State, are covered by FRS. Benefits under the Plan vest after six years of service.

Employees who retire at or after age 62 with six years of credited service are entitled to an annual retirement benefit, payable monthly for life. FRS also provides for death and disability benefits. These benefit provisions and all other requirements are established by State statutes.

Funding policy

Under the FRS, the School was required to contribute 9.85% of the salary of all employees (changed to 10.77% as of July 1, 2010). The required contribution by the School to the FRS for the year ended June 30, 2010 aggregated \$113,131.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 4 – Lease Agreement**

The School occupies its facilities under a non-cancelable operating lease that expires in June 2017. Rent expense for the year ended June 30, 2010 approximated \$284,000.

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	\$ 326,000
2012	352,000
2013	364,000
2014	366,000
2015	366,000
Thereafter	<u>1,128,500</u>
Total	<u>\$ 2,902,500</u>

**Note 5 – Contingencies**

The School receives funding from the State of Florida based on the number of full-time equivalent (FTE) students who attend the School. The data is compiled by the School and is subject to audit by the State. If errors are found, amounts may have to be repaid to the State or future allocations decreased. Management believes that the amounts that would have to be remitted back to the State due to any errors in the FTE count would not be material to the financial position of the School.

The School is obligated under its current lease to incur \$50,000 in building improvements on its existing space. As of June 30, 2010, the School has \$33,500 remaining under this commitment.

**Note 6 – Contributions**

During 2010, the School received unrestricted gifts and contributions totaling \$2,500. This amount is included in other income in the accompanying statement of activities.

**Note 7 – Subsequent Events**

Management evaluated activity of the School subsequent to June 30, 2010 through September 28, 2010 for events that require recognition in the 2010 financial statements or disclosure in the notes thereto.

**WESTERN ACADEMY, INC. D/B/A WESTERN ACADEMY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL COMPARISON - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2010**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
FEFP fees	\$ 1,867,330	\$ 1,873,520	\$ 6,190
IDEA	77,610	85,535	7,925
Capital outlay	178,028	154,293	(23,735)
After-care	71,000	97,234	26,234
Other income	129,511	64,926	(64,585)
Total revenues	2,323,479	2,275,508	(47,971)
Expenses:			
Instruction	1,348,865	1,359,425	(10,560)
School administration	301,018	260,174	40,844
Operation of plant	545,878	493,243	52,635
Board of directors	13,600	13,862	(262)
After-care	33,773	88,552	(54,779)
Fiscal services	38,473	5,196	33,277
Total expenses	2,281,607	2,220,452	61,155
Change in net assets	\$ 41,872	55,056	\$ 13,184
Fund balance, beginning of year		494,055	
Fund balance, end of year		\$ 549,111	

**Independent Auditors' 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  
Western Academy, Inc.

We have audited the financial statements of Western Academy, Inc. d/b/a Western Academy Charter School (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 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 28, 2010



## Management Letter

The Board of Directors  
Western Academy, Inc. d/b/a Western Academy Charter School

We have audited the basic financial statements of Western Academy, Inc. d/b/a Western Academy Charter School (a non-profit organization) as of and for the year ended June 30, 2010 and have issued our report thereon dated September 28, 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 28, 2010. Disclosures in that 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 Western Academy Inc.'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 the same.

The Rules of Auditor General require disclosure in the management letter of the following matters if not already addressed in the auditors' 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 Statutes, were met.

### Other Matters

This management letter is intended solely for the information of the Board of Directors of Western Academy 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 28, 2010