

A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame. The top row has four pencils: brown, green, red, and blue. The right side has two pencils: blue and yellow. The bottom row has three pencils: brown, yellow, and blue. The left side has four pencils: yellow, blue, red, and green.

**Whispering Winds
Charter School Project, Inc.**

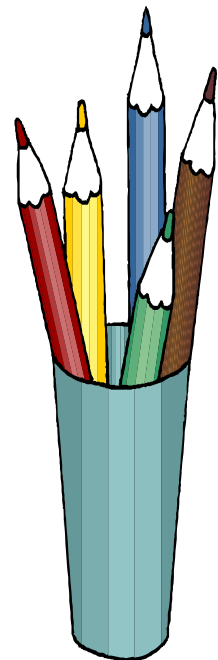
Financial Statements
And
Independent Auditors' Report

June 30, 2011

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community

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Financial Statements and Independent Auditors' Reports
June 30, 2011
Whispering Winds Charter School Project, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Whispering Winds Charter School Project, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Whispering Winds Charter School Project, Inc. (the School), a component unit of the Levy County District School Board, as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2011 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.

Management's discussion and analysis and the budgetary comparison schedules 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Kattell and Company, P.L.

November 10, 2011
Gainesville, Florida

Management's Discussion and Analysis
June 30, 2011
Whispering Winds Charter School Project, Inc.

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2011:

- The School's overall net assets decreased by approximately \$200, which is less than 1%.
- Total ending unrestricted net assets were approximately \$296,000.
- The School had total expenses for the year of about \$1,071,500 compared to revenues of approximately \$1,071,300.
- The School served 135 students in 2011 and 129 in 2010, serving grades K-5.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. The General Fund, Special Revenue Fund and Capital Projects Funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis
June 30, 2011
Whispering Winds Charter School Project, Inc.

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

	2011 Governmental Activities	2010 Governmental Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 375,382	\$ 431,597
Capital Assets, Net	769,598	740,507
Total Assets	<u>1,144,980</u>	<u>1,172,104</u>
Liabilities:		
Current Liabilities	9,449	26,523
Long-term Liabilities	319,996	329,867
Total Liabilities	<u>329,445</u>	<u>356,390</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	449,602	410,640
Restricted	70,123	79,379
Unrestricted	295,810	325,695
Total Net Assets	<u>\$ 815,535</u>	<u>\$ 815,714</u>
Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 11,741	\$ 16,971
Operating Grants & Contributions	32,028	--
Capital Grants & Contributions	53,342	63,778
General Revenues:		
USAC E-Rate Grant	2,269	1,449
Title I Grant	42,266	43,572
IDEA Grant	13,191	10,481
Florida Education Finance Program	887,270	855,350
Other State Revenue	28,941	--
Unrestricted Grants & Contributions	--	5,399
Unrestricted Investment Earnings	312	372
Total Revenues	<u>1,071,360</u>	<u>997,372</u>
Program Expenses:		
Instruction	645,412	592,293
Instructional Support Services	3,539	10,321
General Support	399,861	299,449
Community Service	3,176	3,582
Interest on Long-term Debt	19,551	6,385
Total Expenses	<u>1,071,539</u>	<u>912,030</u>
Change in Net Assets	(179)	85,342
Beginning Net Assets	815,714	730,372
Ending Net Assets	<u>\$ 815,535</u>	<u>\$ 815,714</u>

Management's Discussion and Analysis
June 30, 2011
Whispering Winds Charter School Project, Inc.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$97,111 in program revenues and \$974,249 of general revenues, and incurred \$1,071,539 of program expenses. This resulted in a \$179 decrease in net assets. This does not represent a significant change from the prior year.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$29,885, from \$325,695 to \$295,810. The School opened a cafeteria at the beginning of the School year but due to the lengthy process of becoming a National School Lunch provider, the school was not approved as a provider until December and did not begin receiving reimbursement for meals until January. The lost revenues during the approval process account for the majority of the decrease.

Special Revenue Fund. The fund balance of the Special Revenue Fund decreased by \$7,074 from \$77,197 to \$70,123. The School expended all current revenues and continued to spend down balances in accordance with the provisions of the Walton grant.

Capital Projects Fund. The fund balance of the Capital Projects Fund has decreased by \$2,182 from \$2,182 to \$0. The School's capital expenditures equaled capital outlay funds available for the year.

BUDGETARY HIGHLIGHTS

General Fund. The final budget was increased to reflect much greater enrollment than originally expected. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School installed and furnished a new cafeteria. The School also made other equipment purchases that are typical of a school its size. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School acquired new debt to finance the property insurance. The School also made scheduled payments on previously existing debt. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Suzann Cornell, Principal, Whispering Winds Charter School Project, Inc. at Post Office Box 506; Chiefland, Florida 32644.

Statement of Net Assets
June 30, 2011
Whispering Winds Charter School Project, Inc.

	Governmental Activities
Assets	
Cash	\$ 361,944
Accounts Receivable	6,489
Prepays	6,119
Deposits	830
Capital Assets:	
Land	69,505
Depreciable Capital Assets, Net	700,093
 Total Assets	 1,144,980
Liabilities	
Accounts Payable	9,449
Long-Term Note Payable:	
Due Within One Year	17,730
Due In More Than One Year	302,266
 Total Liabilities	 329,445
Net Assets	
Invested in Capital Assets, Net of Related Debt	449,602
Restricted for:	
Special Revenue - Grants	70,123
Unrestricted	295,810
 Total Net Assets	 \$ 815,535

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2011
Whispering Winds Charter School Project, Inc.

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (645,412)	\$ 11,741	\$ --	\$ --	\$(633,671)
Instructional Support Services	(3,539)	--	--	--	(3,539)
General Support	(399,861)	--	32,028	53,342	(314,491)
Community Services	(3,176)	--	--	--	(3,176)
Interest on Long-Term Debt	(19,551)	--	--	--	(19,551)
Total	<u><u>\$ (1,071,539)</u></u>	<u><u>\$ 11,741</u></u>	<u><u>\$ 32,028</u></u>	<u><u>\$ 53,342</u></u>	<u><u>(974,428)</u></u>

General Revenues:

Federal:	
USAC E-Rate Grant	2,269
Federal through State:	
Title I Grant	42,266
IDEA Grant	13,191
State Revenue:	
Florida Education Finance Program	887,270
Other State Revenue	28,941
Unrestricted Investment Earnings	<u>312</u>
Total General Revenues	<u>974,249</u>
Change in Net Assets	(179)
Net Assets – Beginning of Year	<u>815,714</u>
Net Assets – End of Year	<u><u>\$ 815,535</u></u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2011
Whispering Winds Charter School Project, Inc.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 291,821	\$ 70,123	\$ --	\$ 361,944
Accounts Receivable	6,489	--	--	6,489
Prepaid Expenses	6,119	--	--	6,119
Deposits	830	--	--	830
Total Assets	<u>\$ 305,259</u>	<u>\$ 70,123</u>	<u>\$ --</u>	<u>\$ 375,382</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 9,449	\$ --	\$ --	\$ 9,449
Fund Balances:				
Non-Spendable - Prepays	6,119	--	--	6,119
Non-Spendable - Deposits	830	--	--	830
Restricted – Walton Grant	--	70,123	--	70,123
Unassigned	288,861	--	--	288,861
Total Fund Balances	<u>295,810</u>	<u>70,123</u>	<u>--</u>	<u>365,933</u>
Total Liabilities and Fund Balances	<u>\$ 305,259</u>	<u>\$ 70,123</u>	<u>\$ --</u>	<u>\$375,382</u>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets –
Governmental Funds**

June 30, 2011

Whispering Winds Charter School Project, Inc.

Fund Balances – Total Governmental Funds	\$ 365,933
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Amounts reported for Governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation	769,598
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Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net assets.

Long-Term Liabilities	<u>(319,996)</u>
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Net Assets of Governmental Activities	<u><u>\$ 815,535</u></u>
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See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

**For the Year Ended June 30, 2011
Whispering Winds Charter School Project, Inc.**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Federal:				
USAC E-Rate Grant	\$ --	\$ 2,269	\$ --	\$ 2,269
Federal through State:				
Title I Grant	--	42,266	--	42,266
IDEA Grant	--	13,191	--	13,191
National School Lunch Program	32,028	--	--	32,028
State Revenue:				
Florida Education Finance Program	887,270	--	--	887,270
Public Education Capital Outlay	--	--	53,342	53,342
Other State Revenue	28,941	--	--	28,941
Local Revenue:				
Interest Income	160	152	--	312
Meal Service	7,313	--	--	7,313
Other Local Revenues	4,428	--	--	4,428
Total Revenues	960,140	57,878	53,342	1,071,360
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	585,708	58,671	--	644,379
Instructional Support Services	3,539	--	--	3,539
General Support	404,185	6,281	--	410,466
Community Services	3,176	--	--	3,176
Capital Outlay	--	--	19,519	19,519
Debt Service:				
Principal	--	--	16,454	16,454
Interest	--	--	19,551	19,551
Total Expenditures	996,608	64,952	55,524	1,117,084
Excess of Revenues Over(Under) Expenditures	(36,468)	(7,074)	(2,182)	(45,724)
Other Financing Sources (Uses)				
Debt Issuance	6,583	--	--	6,583
Net Changes in Fund Balance	(29,885)	(7,074)	--	(39,141)
Fund Balances, July 1, 2010	325,695	77,197	2,182	405,074
Fund Balances, June 30, 2011	\$ 295,810	\$ 70,123	\$ --	\$ 365,933

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2011
Whispering Winds Charter School Project, Inc.**

Excess of Revenues over Expenditures – Total Governmental Funds \$ (39,141)

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 depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	95,262
Current Year Depreciation Expense	(66,171)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net assets. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets.

Current Year Debt Issuance	(6,583)
Current Year Principal Payments	<u>16,454</u>

Change in Net Assets of Governmental Activities \$ (179)

See accompanying notes.

Notes to the Financial Statements
June 30, 2011
Whispering Winds Charter School Project, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Whispering Winds Charter School Project, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Whispering Winds Charter School Project, Inc. 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. The not-for-profit corporation conducts business as Whispering Winds Charter School Project, Inc. (the School). The governing body of the School is the not-for-profit corporation's Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Levy County District School Board (the "District"). The current charter is effective until June 30, 2019, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School's financial position as of the end of the fiscal year. In this statement, the School's net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Notes to the Financial Statements
June 30, 2011
Whispering Winds Charter School Project, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

The School deposits its temporarily idle resources in financial institutions and purchases non negotiable certificates of deposit in financial institutions. At June 30, 2011, no amounts were held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Improvements	20-30
Furniture, Fixtures and Equipment	5-10
Motor Vehicles	5

Notes to the Financial Statements
June 30, 2011
Whispering Winds Charter School Project, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School pays for employees' unused sick time at a rate of 50%. All unused sick time is paid out at the end of the school year and unused time does not accumulate. The School does not pay for employees' unused vacation time and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Equity

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Notes to the Financial Statements
June 30, 2011
Whispering Winds Charter School Project, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Equity (concluded)

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, at which point the restricted resources are consumed the School's policy will then turn to committed resources, followed by assigned resources. Once these applicable resources are consumed the School will then use unassigned resources. The School considers restricted fund balance amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and assigned fund balance amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets not Being Depreciated				
Land	\$ 69,505	\$ --	\$ --	\$ 69,505
Capital Assets Being Depreciated				
Buildings	614,563	63,512	--	678,075
Improvements	108,369	8,628	--	116,997
Furniture, Fixtures & Equipment	177,008	23,122	--	200,130
Motor Vehicles	29,172	--	--	29,172
Total Capital Assets	<u>998,617</u>	<u>95,262</u>	<u>--</u>	<u>1,093,879</u>
Accumulated Depreciation:				
Buildings	111,582	31,687	--	143,269
Improvements	30,397	5,594	--	35,991
Furniture, Fixtures & Equipment	104,178	23,056	--	127,234
Motor Vehicles	11,953	5,834	--	17,787
Total Accumulated Depreciation	<u>258,110</u>	<u>66,171</u>	<u>--</u>	<u>324,281</u>
Net Capital Assets	<u>\$ 740,507</u>	<u>\$29,091</u>	<u>\$ --</u>	<u>\$ 769,598</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 6,314
General Support	59,857
Total Depreciation Expense	<u>\$ 66,171</u>

Notes to the Financial Statements
June 30, 2011
Whispering Winds Charter School Project, Inc.

NOTE 3 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Note Payable	\$ 75,734	\$ --	\$ (5,691)	\$ 70,043	\$ 6,081
Loan Payable	254,133	6,583	(10,763)	249,953	11,649
Total	<u>\$ 329,867</u>	<u>\$ 6,583</u>	<u>\$ (16,454)</u>	<u>\$ 319,996</u>	<u>\$ 17,730</u>

During the year ended June 30, 2005, the School executed a note payable in the amount of \$100,000 payable at 6.5% interest for 15 years. The proceeds of the note were used to finance the purchase of real property.

During the year ended June 30, 2010, the School obtained a loan in the amount of \$255,000 payable at 5.75% until 2013, when the rate will be adjusted according to the weekly average yield rate. The monthly payments are \$2,129. Proceeds from the loan were used to purchase a new building. In 2011, the Bank paid insurance in the amount of \$6,583 and added the amount to the loan balance.

Debt service payments are due as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	17,730	18,275	36,005
2013	18,872	17,133	36,005
2014	20,049	15,956	36,005
2015	21,299	14,706	36,005
2016	22,597	13,408	36,005
2017	24,035	11,970	36,005
2018	25,534	10,471	36,005
2019	27,127	8,878	36,005
2020 - 2025	142,753	23,649	166,402
Total	<u>\$ 319,996</u>	<u>\$ 134,446</u>	<u>\$ 454,442</u>

NOTE 4 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

NOTE 5 – EMPLOYEE RETIREMENT PLAN

Plan Description – On January 1, 2008, the School began contributing to the Florida Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850)488-5706.

Funding Policy – The System is employee non-contributory. The School is required to contribute at an actuarially determined rate. The rates at June 30, 2011 and 2010 were 10.77% and 9.85%, respectively. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. The School’s contribution to the System for the years ended June 30, 2011, 2010 and 2009 was \$58,787, \$47,211 and \$38,729, respectively, which was equal to the required contribution for that year.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2011
Whispering Winds Charter School Project, Inc.

BUDGETED AMOUNTS

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Federal Through State:				
National School Lunch Program	\$ 13,200	\$ 32,028	\$ 32,028	\$ --
State Revenue:				
Florida Education Finance Program	693,685	887,270	887,270	--
Other State Revenue	--	28,941	28,941	--
Local Revenue:				
Interest Income	--	160	160	--
Meal Service	45,660	7,313	7,313	--
Other Local Revenue	<u>2,777</u>	<u>4,428</u>	<u>4,428</u>	<u>--</u>
Total Revenues	<u>755,322</u>	<u>960,140</u>	<u>960,140</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	472,608	585,708	585,708	--
Instructional Support Services	1,330	3,539	3,539	--
General Support	262,802	404,185	404,185	--
Community Services	<u>500</u>	<u>3,176</u>	<u>3,176</u>	<u>--</u>
Total Expenditures	<u>737,240</u>	<u>996,608</u>	<u>996,608</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	18,082	(36,468)	(36,468)	--
Other Financing Sources (Uses)				
Debt Issuance	<u>--</u>	<u>6,583</u>	<u>6,583</u>	<u>--</u>
Net Changes in Fund Balance	18,082	(29,885)	(29,885)	--
Fund Balances, July 1, 2010	<u>252,863</u>	<u>325,695</u>	<u>325,695</u>	<u>--</u>
Fund Balances, June 30, 2011	<u>\$ 270,945</u>	<u>\$ 295,810</u>	<u>\$ 295,810</u>	<u>\$ --</u>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2011
Whispering Winds Charter School Project, Inc.

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
Federal:				
USAC E-Rate Grant	\$ 1,449	\$ 2,269	\$ 2,269	\$ --
Federal through State:				
Title I Grant	41,042	42,266	42,266	--
IDEA Grant	9,000	13,191	13,191	--
Local Revenue:				
Interest Income	--	152	152	--
Total Revenues	<u>51,491</u>	<u>57,878</u>	<u>57,878</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	48,250	58,671	58,671	--
General Support	3,241	6,281	6,281	--
Total Expenditures	<u>51,491</u>	<u>64,952</u>	<u>64,952</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	<u>--</u>	<u>(7,074)</u>	<u>(7,074)</u>	
Fund Balances, July 1, 2010	<u>77,197</u>	<u>77,197</u>	<u>77,197</u>	<u>--</u>
Fund Balances, June 30, 2011	<u>\$ 77,197</u>	<u>\$ 70,123</u>	<u>\$ 70,123</u>	<u>\$ --</u>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

A Certified Public Accounting Firm Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 10, 2011

To the Board of Directors
Whispering Winds Charter School Project, Inc.

We have audited the financial statements of Whispering Winds Charter School Project, Inc. (the School) for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have communicated all known and likely adjustments to management and all material adjustments have been reflected in the financial statements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This letter is intended solely for the information and use of management and the board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

Kattell and Company, P.L.

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MANAGEMENT LETTER

To the Board of Directors,
Whispering Winds Charter School Project, Inc.

We have audited the financial statements of Whispering Winds Charter School Project, Inc. (the School), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 10, 2011.

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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and our Schedule of Findings. Disclosures in that report and schedule 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 govern 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 auditors' reports or schedule:

Prior Audit Findings. The Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there were no findings reported in the prior year.

Recommendations to Improve Financial Management. Rules of the Auditor General require that we address any recommendations to improve financial management. We did not have any such recommendations.

Immaterial Noncompliance. Rules of the Auditor General require that we address violations of laws, regulations, contract 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. We did not have any such findings.

Other Matters. Section 10.854(1)(e)4, Rules of the Auditor General, provides that the auditor may report other matters that are inconsequential to the determination of financial statement amounts. There are no other matters that, based on our professional judgment, will be included in this management letter.

Name. The name or official title of the School is Whispering Winds Charter School Project, Inc.

Financial Emergency. Rules of the Auditor General require 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(s) met. We determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment. Rules of the Auditor General require that we apply financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. We did not identify deteriorating financial conditions.

* * * * *

Pursuant to Chapter 119, Florida Statutes, the 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 and the Board of Directors of the School, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

November 10, 2011
Gainesville, Florida

Kattell and Company, P.L.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Whispering Winds Charter School Project, Inc.

We have audited the financial statements of the governmental activities and each major fund of Whispering Winds Charter School Project, Inc. (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 10, 2011. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the School's internal control 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 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 internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings (11-02) that we consider to be a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is included in the attached schedule of findings as 11-01.

* * * * *

This report is intended solely for the information and use of the School's management and Board of Directors, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

November 10, 2011
Gainesville, Florida

Schedule of Findings
June 30, 2011
Whispering Winds Charter School Project, Inc.

11-01 *Finding* – The School paid for Sam’s Club memberships on the behalf of employees. However, the School did not report the value of these memberships as employee compensation and did not withhold and pay the appropriate payroll taxes.

Recommendation - Employee incentives exceeding the IRS guidelines for de minimis fringe benefits should be included as employee compensation and the School should withhold and pay the appropriate payroll taxes.

11-02 *Finding* – The School paid six late fees related to the monthly payment to the Florida Retirement System.

Recommendation – The School should review its processes to ensure timely payment to avoid late fees.



November 9, 2011

Mr. Steve Kattel
Kattel and Company
4055 NW 43rd Street
Gainesville, FL 32606

Re: Response to audit findings, 2010-11

Dear Mr. Kattel,

Findings:

11-01 Finding – Regarding Sam's Club Membership benefit

We accept these findings. We were unaware that the \$35 fee should have been reported and it will be rectified.

11-01 Finding – Regarding the FRS System late fees

We accept this finding that we had late fees associated with the FRS system. We will take the appropriate actions to ensure this does not occur again.

Thank you for your friendly and professional services to Whispering Winds Charter School. We appreciate your attention to detail and your willingness to be flexible during a very busy time in our school year.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Suzann Cornell".

J. Suzann Cornell, Ph.D.
Principal