

**Wesley International Academy, Inc.
Audited Financial Statements
June 30, 2014**

Bambo Sonaik CPA, LLC
1640 Powers Ferry Road Building 29 Suite 100 Marietta GA 30067
P: 770.956.6455 F: 678.559.0659 www.cpa-service.com

Wesley International Academy, Inc.
Table of Contents

Table of Contents

	Page(s)
Report of Independent Auditors.....	1-2
Management’s Discussion and Analysis.....	3-7
<u>Basic Financial Statements</u>	
Statement of Net Assets.....	8
Statement of Activities.....	9
Statement of Financial Position – Government Funds.....	10
Reconciliation of Statement of Financial Position – Governmental Funds with the Statement of Net Assets.....	11
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances with the Statement of Activities.....	13
Notes to Financial Statements.....	14-20
<u>Required Supplementary Information</u>	
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	21-22
<u>Compliance and Internal Control Reports</u>	
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.....	23-24
Management Letter.....	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wesley International Academy, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wesley International Academy, Inc. ("the School"), a component unit of the Atlanta Public School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate

remaining fund information of the School as of June 30, 2014 and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information [on pages 3 through 7] be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2014 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 in considering School's internal control over financial reporting and compliance.

Bambo Sonaike CPA, LLC

September 11, 2014

Wesley International Academy, Inc.

Management Discussion and Analysis

As of June 30, 2014

As management of Wesley International Academy, Inc. (the "School"), we offer readers of the School's financial statement this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the Schools financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and analysis (MD&A) is intended to highlight significant transaction, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 8 through 13.

Financial highlights

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,208,189.
- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,274,261 (net assets).

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the School's asset and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instructions, school administration, and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Atlanta Public Schools, Georgia.

Wesley International Academy, Inc.
 Management Discussion and Analysis
 As of June 30, 2014

The government-wide financial statements can be found on pages 8 and 9 of this report. Comparison of the condensed statement of net assets and the statement of activities are provided below.

	Governmental Activities		
	2014	2013	Variance
ASSETS			
Current and other assets ^(note 2)	\$ 1,441,526	\$ 1,137,393	\$ 304,133
Capital assets ^{(net)(note 3)}	66,072	59,646	6,426
Total assets	<u>1,507,598</u>	<u>1,197,039</u>	<u>310,559</u>
LIABILITIES			
Current and other liabilities ^(note 4)	233,337	847,678	(614,341)
Long term liabilities	-	232,670	(232,670)
Total liabilities	<u>233,337</u>	<u>1,080,348</u>	<u>(847,011)</u>
NET ASSETS			
Investment in capital assets, ^(net)	66,072	59,646	6,426
Unrestricted	1,208,189	57,045	1,151,144
Total net assets	<u>\$ 1,274,261</u>	<u>\$ 116,691</u>	<u>\$ 1,157,570</u>

Wesley International Academy, Inc.
 Management Discussion and Analysis
 As of June 30, 2014

	Governmental Activities		
	2014	2013	Variance
REVENUES			
State passed through local school district	\$ 6,571,904	\$ 5,443,014	\$ 1,128,890
Charges for services	232,563	256,475	(23,912)
Operating grants and contributions	310,327	307,021	3,306
Other revenues	99,437	70,269	29,168
Debt forgiveness ^(note 8)	504,705	-	504,705
Total revenues	7,718,936	6,076,779	1,642,157
EXPENSES			
Basic instruction	4,202,782	3,663,907	(538,875)
Guidance services	3,853	14,938	11,085
Psychological services	38,000	39,900	1,900
Media services	11,826	8,486	(3,340)
Staff development	33,790	28,983	(4,807)
Board of directors	288,133	239,376	(48,757)
School administration	1,029,352	728,311	(301,041)
Food services	221,889	216,866	(5,023)
Operation of school	655,222	1,275,221	619,999
Community services	60,576	59,371	(1,205)
Transportation	15,943	8,989	(6,954)
Total expenses	6,561,366	6,284,348	(277,018)
Change in net assets	\$ 1,157,570	\$ (207,569)	\$ 1,365,139

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the operations of the School are presented in governmental funds only.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

Wesley International Academy, Inc.

Management Discussion and Analysis

As of June 30, 2014

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund financial statements provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains individual government funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be the School's only major fund.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements

The notes 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 starting on page 14 of this report.

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceed liabilities by \$1,274,261 for the year ended June 30, 2014.

A portion of the School's net assets reflects its investment in capital assets (e.g., furniture, fixtures and equipment, and leasehold improvements), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year. The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,208,189.

General Fund Budgetary Highlights

The School's actual revenues exceeded budget revenues by \$265,794 mainly due to debt forgiveness from School's previous management company. Actual expenditures were below budgeted expenditures by \$188,579 due mainly to the Schools payroll, instruction and facility costs being lower than budgeted.

Wesley International Academy, Inc.
Management Discussion and Analysis
As of June 30, 2014

Capital Asset

The School's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$66,072. This investment in capital assets includes furniture, fixtures and equipment. Additional information on the School's capital assets can be found in Note 4.

Wesley International Academy, Inc.
Statement of Net Assets
As of June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents ^(note 2)	\$ 1,319,307
Deposits ^(note 9)	23,903
Due from School District ^(note 5)	98,316
Capital assets ^{(net) (note 3)}	<u>66,072</u>
Total assets	<u><u>1,507,598</u></u>
LIABILITIES	
Accounts payable & accrued expenses ^(note 4)	<u>233,337</u>
Total liabilities	<u>233,337</u>
NET ASSETS	
Investment in capital assets, net of related debt	66,072
Unrestricted	<u>1,208,189</u>
Total net assets	<u><u>\$ 1,274,261</u></u>

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
Statement of Activities
For the period ended June 30, 2014

Governmental Activities	Expenses	Program revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	
Basic instruction	4,202,782	\$ 111,831	\$ 174,785	\$ -	\$ (3,916,166)
Guidance services	3,853	-	-	-	(3,853)
Psychological services	38,000	-	-	-	(38,000)
Media services	11,826	-	-	-	(11,826)
Staff development	33,790	-	-	-	(33,790)
Board of directors	288,133	-	-	-	(288,133)
School administration	1,029,352	-	-	-	(1,029,352)
Food services	221,889	34,511	135,542	-	(51,836)
Operation of school	655,222	-	-	-	(655,222)
Community services	60,576	86,221	-	-	25,645
Transportation	15,943	-	-	-	(15,943)
Total governmental activities	\$ 6,561,366	\$ 232,563	\$ 310,327	\$ -	\$ (6,018,476)

General revenues:

State passed through local school district	6,571,904
Other revenue	99,437
Debt forgiveness ^(note 8)	504,705
Total general revenues	7,176,046
Change in net assets	1,157,570
Net assets at beginning of the year	116,691
Net assets at end of the year	\$ 1,274,261

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
 Statement of Financial Position- Governmental Funds
 As of June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents ^(note 2)	\$ 1,319,307
Deposits ^(note 9)	23,903
Due from School District ^(note 5)	<u>98,316</u>
Total assets	<u><u>1,441,526</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable & accrued expenses ^(note 4)	<u>233,337</u>
Total liabilities	<u>233,337</u>
FUND BALANCES	
Unassigned	<u>1,208,189</u>
Total fund balances	<u>1,208,189</u>
Total liabilities and fund balances	<u><u>\$ 1,441,526</u></u>

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
Reconciliation of Statement of Financial Position – Governmental Funds to
Statement of Net Assets
As of June 30, 2014

Total Fund balances - Governmental funds \$ 1,208,189

The amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures and equipment ^(net) 66,072

Total capital assets 66,072

Total Net assets - Governmental activities \$ 1,274,261

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
Statement of Revenue, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the period ended June 30, 2014

REVENUES	<u>General Fund</u>
State passed through local school district	\$ 6,571,904
Operating grants and contributions	310,327
Charges for services	232,563
Other revenues	99,436
Debt forgiveness ^(note 8)	272,035
Total revenue	<u>7,486,265</u>
EXPENDITURES	
Current:	
Basic instruction	4,202,782
Guidance services	3,853
Psychological services	38,000
Media services	11,826
Staff development	33,790
Board of directors	288,133
School administration	1,029,352
Food services	221,889
Operation of school	647,661
Community services	60,576
Transportation	15,943
Capital outlay	13,985
Total expenditures	<u>6,567,790</u>
Net change in fund balance	<u>918,475</u>
Fund balances at beginning of the year	<u>289,714</u>
Fund balances at end of the year	<u><u>\$ 1,208,189</u></u>

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in
 Fund Balances to the Statement of Activities
 For the period ended June 30, 2014

Total net change in fund balances- Government funds	\$ 918,475
---	------------

The amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	13,985
Depreciation expense	(7,560)
Total	<u>6,425</u>

Repayment of notes payable are reported as an expenditures in Governmental Funds, but the repayment reduces notes payable in the Statement of Net Position. In the current year, these amounts consist of:

Debt forgiveness	<u>232,670</u>
Total change in net assets- Governmental activities	<u><u>\$ 1,157,570</u></u>

The accompanying notes are an integral part to these financial statements.

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

1. Organization

Wesley International Academy, Inc. (a Georgia Nonprofit Corporation) (the School), provides educational services to students in grades K-8. The governing body of the School is the Board of Directors, which is currently comprised of eight members. Information presented in these financial statements only reflects the financial position and activities of the School.

The general operating authority of the School is contained in O.C.G.A. (Official Code of Georgia Annotated) 20-2-2060, Georgia Statutes. The School operates under a charter of the sponsoring school district, which is the Atlanta Public Schools, Georgia (the "District"). The current charter is effective until June 30, 2018. At the end of the charter's term, the District may choose not to renew the charter under the grounds specified in the underwriting of the charter. In this case, the District must notify the School at least 90 days prior to the charter's expiration. During the term of charter, the District may terminate the charter if good cause is evident. The School is considered a component unit of the Atlanta Public Schools, Georgia.

2. Significant accounting policies

Basis of presentation

The School's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements, and notes to the basic financial statements of the Wesley International Academy, Inc..

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These statements report information on all of the non-fiduciary activities of the School. As part of the consolidation process, all interfold activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

The fund financial statements provide information about the School's funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

- General Fund is the School's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

Basis of accounting

The basis of accounting determines when transactions are reported on the financial statements. 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Net Assets

The School's net assets in the Government-wide Financial Statements are classified as follows:

Net investment in capital assets

This represents the School's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position

This represents resources for which the School is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net position

Unrestricted net position represents resources derived from grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School, and may be used at the discretion of the Board to meet current expenses for those purposes.

Fund balances

The School District's fund balances are classified as follows:

Non-spendable

These are 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

These are amounts with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed

These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's highest level of decision-making authority.

Assigned

These are amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned

These are amounts that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This is the residual classification for the general fund.

Cash and cash equivalent

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions.

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

Concentrations of credit risks

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a written policy regarding custodial credit risk for deposits. At June 30, 2014, the School's deposits had a carrying balance of \$1,319,307.

Capital assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than 1 year. Such assets are recorded at historical cost. On the government-wide financial statements, all purchased capital assets are valued at cost where historical records are available. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School.

The estimated useful lives of capital assets reported in the government-wide statements are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life (years)</u>
Furniture, fixtures and equipment	3

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

Revenue sources and recognition

Revenues for current operations are received primarily from the State of Georgia through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 20-2-2060, Georgia Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 20-2-2060, Georgia Statutes, the District reports the number of FTE students and related data to the Georgia Department of Education (GDOE) for funding.

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

Funding for the School is adjusted during the year to reflect revised calculations by the GDOE under the Georgia Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Use of estimates

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

Income taxes

The School is a charter school under the District, which qualifies as a tax exempt organization, and is, therefore, exempt from income tax. In addition, the School has applied for income tax exemption with Internal Revenue Service and its application is in pending status. Accordingly, no tax provision has been made in the accompanying financial statements.

3. Capital assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Dispositions	Balance at June 30, 2014
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 181,864	13,985	-	\$ 195,849
Total assets depreciated	181,864	13,985	-	195,849
Less accumulated depreciation:				
Furniture, fixtures and equipment	(122,217)	(7,560)	-	(129,777)
Total accumulated depreciation	(122,217)	(7,560)	-	(129,777)
Total governmental activities				
Capital assets, net	<u>\$ 59,647</u>			<u>\$ 66,072</u>

Depreciation expense for the year ended June 30, 2014, in the amount of \$7,560 was recorded in the statements of activities.

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

4. Accounts payable and accrued expenses

As of June 30, 2014 accounts payable and accrued expenses consisted of the following:

Accrued salaries & benefits	\$ 118,894
Accounts payable	114,444
	<hr/>
Total accounts payable and accrued expenses	<u>\$ 233,337</u>

5. Due from School District

As of June 30, 2014 the amount due from the school district consisted of the following:

Free and reduced lunch	\$ 13,090
Title 1	85,226
	<hr/>
Total Due form School District	<u>\$ 98,316</u>

6. Concentrations

Revenue sources

As stated in **Note 2**, the School receives revenues for current operations primarily from the State of Georgia through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	
<hr/>	
State sources passed through the Atlanta Public Schools District , Georgia:	
Quality basic education (QBE)	\$ 6,571,904
	<hr/>
	6,571,904
Federal sources passed through the Atlanta Public Schools District , Georgia:	
National School Lunch Program	135,542
Title 1 funding	174,785
	<hr/>
	310,327
Other revenue:	
Before/after care	86,221
Food service	34,511
Fundraising, donations and other revenue	99,437
Field trip fees & summer camp	111,831
Debt forgiveness	504,705
	<hr/>
Total revenues	<u>\$ 7,718,936</u>

7. Commitments and contingencies

Federal and state grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provision has been recorded in the accompanying financial statements for such contingencies.

Facilities

Beginning July 1, 2013 and ending on June 30, 2014, the school entered a lease agreement for the School's facility with Atlanta Independent Public School System. The terms of the lease agreement does not require any base rent payment from the School, however the School is responsible for all maintenance and repair capital improvements, operating expenses, utilities, insurance and all other costs associated with its use and occupancy during the lease year.

8. Debt forgiveness

On March 18, 2014 the School entered into a settlement agreement with Imagine Schools, Inc. and Schoolhouse Finance, LLC. In the settlement the School's Board of directors agreed to pay Imagine Schools, Inc. a lump sum of \$40,000 to absolve the School of all debt owed to Imagine Schools, Inc. and Schoolhouse Finance, LLC would retain the School's \$51,000 security deposit in exchange for forgiveness of all debt owed to Schoolhouse Finance, LLC. As of June 30, 2014 a total of \$504,705 in debt to Imagine Schools, Inc and Schoolhouse Finance, LLC was forgiven by the aforementioned entities. The debt forgiveness has been recorded as income in the state of activities for the School as of June 30, 2014.

9. Deposits

As of June 30, 2014 deposits consisted of the following:

Utilities deposit	\$ 11,570
Security deposit for modulars lease	12,333
Total deposits	<u>\$ 23,903</u>

10. Retirement plan

Substantially all teachers, administrators, and non-instructional personnel of the School are members of Teachers Retirement System of Georgia ("TRS") a cost-sharing multiple-employer defined benefit public employee retirement system. TRS was created in 1943 by an act of the Georgia General Assemble and is administrated by a ten member board of Trustees. TRS is funded by a combination of employee, employer, and State of Georgia contributions. Benefits

Wesley International Academy, Inc.
Notes to Financial Statements
June 30, 2014

are established by State statute and provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

Plan members are required to contribute 6 percent of their annual covered payroll and the School is required to contribute 12.28 percent of the covered payroll. The contribution requirements of plan members and the school are established and may be amended by the TRS board of trustees.

11. Risk management

The School is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; general liabilities; and natural disaster for which the school carries commercial insurance.

12. Subsequent events

The School evaluated subsequent events through the date the financial statements were available to be issued. The School is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

Wesley International Academy, Inc.
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual – General Fund
 For the period ended June 30, 2014

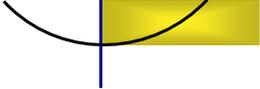
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
State passed through local school district	\$ 6,557,000	\$ 6,571,904	\$ 14,904
Supplemental revenue	663,470	642,325	(21,145)
Debt forgiveness ^(note 8)	-	272,035	272,035
Total revenue	<u>7,220,470</u>	<u>7,486,264</u>	<u>265,794</u>
EXPENDITURES			
Salaries and benefits	4,917,840	4,795,111	(122,729)
Instruction	321,828	256,523	(65,305)
Services	547,388	564,828	17,440
Governance and management	320,068	280,330	(39,738)
Facility	534,668	455,153	(79,515)
General and administrative	86,576	114,246	27,670
Fundraising	3,000	340	(2,660)
Extra curricular activities	25,000	87,273	62,273
Capital expenditures	-	13,985	13,985
Total expenditures	<u>6,756,368</u>	<u>6,567,789</u>	<u>(188,579)</u>
Net change in fund balance	464,102	918,475	454,373
Fund balances at beginning of the year	<u>289,714</u>	<u>289,714</u>	<u>-</u>
Fund balances at end of the year	<u>\$ 753,816</u>	<u>\$ 1,208,189</u>	<u>\$ 454,373</u>

Wesley International Academy, Inc.
Statement of Functional Expenses
For the period ended June 30, 2014

1. Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the board of directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2014 have been amended according to Board procedures. Budgets are adopted in full accrual basis accounting. The legal level of budgetary control is the fund level.



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

To the Board of Directors
Wesley International Academy, Inc.
Atlanta, Georgia

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wesley International Academy, Inc. ("the School"), a component unit of the Atlanta Public Schools, Georgia as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. 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 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

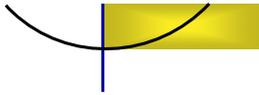
regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bambo Sonaike CPA, LLC

September 12, 2014



MANAGEMENT LETTER

To the Board of Directors
Wesley International Academy, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wesley International Academy, Inc. ("the School") as of and for the year ended June 30, 2014, which collectively comprise the School's basic financial statements.

We issued our report on internal control over financial reporting and on compliance and other matters dated September 12, 2014. Disclosures in that report, if any, should be considered in conjunction with this management letter.

There are audited findings that are required to be reported by Government Auditing Standards. However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. We will review the status of our comments during our next audit engagement. We have already discussed many of these comments and suggestions with personnel at your organization. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Our comments are summarized as follows:

Current Year Comments and Recommendations

There were no comments or recommendations for the current year

Prior Year Comments and Recommendations

There were no comments or recommendations for the prior year

This management letter is intended for the information of the School's management, and is not intended to be and should not be used by anyone other than these specified parties.

Bambo Sonaike CPA, LLC

September 12, 2014