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September 6, 2012

The Academy
ATTN: Board of Directors and Mr. Joel Lovstedt, Administrator
240 E. Maple St.
Pocatello, ID 83201

RE: 2011/12 Independent Audit

Dear Members of the Board and Mr. Lovstedt:

I am pleased to report that the audit went very well. No exceptions were noted in any of the audit procedures. I would like to thank Mike Parker for having everything ready for me.

Financial performance this year was good. Looking at page 8 of the audit report (3rd line from the bottom), the General Fund increased its carryover by \$16,243. I do need to point out that this includes \$53,211 in one-time Federal Education Jobs Fund monies; regardless, the General Fund is in good shape. Actually, compared to many charter schools in the state it is in enviable shape as this has been an extremely difficult year financially for most schools. A number of our charter schools are now receiving 'going concern' remarks in their audit reports, which — in auditor's parlance — means we think they might not make it unless they take corrective action quickly.

The Construction Fund, after transferring in \$100,000 from the Albertsons Fund, still has \$98,563 in it, and this is after paying cash for land as well as other development and planning costs. You remain an excellent, attractive candidate for partnership with a lender for school construction financing. It is true that banks overreacted to the mortgage crisis; abandoning the old practice of loaning to people who were a bad credit risk and adopting the new practice of not loaning to people who are a good credit risk, but this is changing — after all, banks have to start making money sooner or later.

Thanks for having us as your auditors once again. Please do not hesitate to call or email us if you have any questions.

Sincerely,

Tim Folke, CPA

Folke CPAs, PC