

Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Financial Statements
June 30, 2007

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AUDITOR GENERAL

**Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Financial Statements
June 30, 2007**

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Independent Auditor's Report

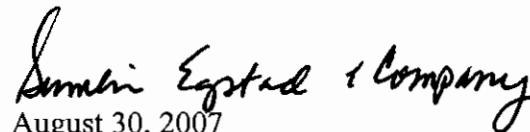
To The Board of Directors
Escambia County Community Land Trust, Inc.
Life Skills Center – Escambia County
Pensacola, Florida

We have audited the accompanying statement of financial position of Life Skills Center – Escambia County (Program of Escambia County Community Land Trust, Inc., a nonprofit organization) as of June 30, 2007, and the related statements of activities and changes in net assets and cash flows for the year ended June 30, 2007. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Skills Center – Escambia County as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, on our consideration of Life Skills Center – Escambia County's internal control over financial reporting and our tests of 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 audits.


August 30, 2007

Pensacola, Florida

Life Skills Center - Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Statement of Financial Position
June 30, 2007

Assets

Assets:

Cash and equivalents	\$ 438,895
Total Assets	\$ 438,895

Liabilities and Net Assets

Liabilities:

Accrued expenses	\$ 7,803
Due to management company	425,093
Total Liabilities	432,896

Net Assets:

Unrestricted	5,999
Total Liabilities and Net Assets	\$ 438,895

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

Life Skills Center - Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2007

Unrestricted Revenues and Support:

Florida Education Finance Program	\$ 1,127,455
Grants	25,000
Working capital provided by management company	<u>295,465</u>
 Total unrestricted revenues and support	 <u>1,447,920</u>

Expenditures:

Instruction	503,892
Instructional support services	20,371
Instructional staff training	78,422
Board	9,879
School administration	326,878
Facilities	226,088
Operation of plant	195,160
Maintenance of plant	64,856
Community services	<u>16,375</u>
 Total expenditures	 <u>1,441,921</u>

Increase in Net Assets 5,999

Net Assets, Beginning of Year -

Net Assets, End of Year \$ 5,999

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

**Life Skills Center - Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2007**

Cash Flows From Operating Activities:	
Change in net assets	\$ 5,999
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities -	
Changes in -	
Accrued expenses	7,803
Due to management company	425,093
Net Cash Provided by Operating Activities	438,895
Increase in Cash	438,895
Cash, Beginning of Year	-
Cash, End of Year	\$ 438,895

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

Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

Organization and Purpose

Life Skills Center – Escambia County (the “School”) was organized as a program of Escambia County Community Land Trust, Inc. (“ECCLT”) (a Florida not for profit corporation organized pursuant to Chapter 617, Florida Statutes on June 11, 2003) upon receiving a charter school contract with The School Board of Escambia County, Florida effective July 1, 2006. The School pursuant to its contract provides an educational program for high school age students.

The School contracts with WHLS of Florida, LLC (“WHLS”) for most of its functions. (See Note 5.)

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current charter is effective until June 30, 2011 and may be renewed by mutual written agreement of the parties pursuant to Florida law.

Basis of Presentation

The accompanying financial statements of Life Skill Center – Escambia County, have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred and may involve the use of management estimates

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments purchased with an original maturity of ninety days or less. There are no cash equivalents at June 30, 2007.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Notes to the Financial Statements
June 30, 2007**

Note 1 – Summary of Significant Accounting Policies-(Continued)

Financial Statement Presentation

Life Skills Center – Escambia County, reports information regarding financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time. There were no temporarily or permanently restricted net assets as of June 30, 2007.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred. The School has no property and equipment as the School operates under a management agreement with WHLS. (See Note 4.)

Public Support

Public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered.

Income Taxes

Life Skills Center – Escambia County is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3), since the School operates as a program of ECCLT, a 501(c)(3) organization. As a result, there is no provision for taxes in the accompanying financial statements.

Note 2 – Cash Concentrations of Credit Risk

At June 30, 2007, Life Skills Center – Escambia County had deposits in a single financial institution totaling \$338,895 in excess of federal depository insurance limits.

Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Notes to the Financial Statements
June 30, 2007

Note 3 – Florida Education Finance Program

Revenues for current operations are received primarily from the Escambia County School District (District) pursuant to the funding provisions included in the School’s charter. In accordance with funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (Department) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the Department under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent survey periods. The District withholds a 5% administrative fee from the School and is calculated on the FEFP revenues. For the year ended June 30, 2007, FEFP revenues earned totaled \$1,186,795 and administrative fees withheld by the District totaled \$59,340 with the net of \$1,127,455 included on the statement of activities.

Note 4 – Management Agreement

The School has entered into a five-year management agreement (“Agreement”) with WHLS, which is an educational consulting and management company. The Agreement’s term coincides with the School’s charter agreement. Substantially all functions of the School have been contracted to WLHS. WHLS is responsible and accountable to the School’s Board of Directors (“Board”) for the administration and operation. Pursuant to the Agreement the School is required to pay WHLS a monthly continuing fee of ninety-seven percent (97%) of the School’s “Qualified Gross Revenues”, defined in the Agreement as “all revenues and income received by the School except charitable contributions” and “WHLS shall receive one hundred per cent (100%) of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any.” The continuing fee is paid to WHLS based on the previous month’s qualified gross revenues less any fees the School is required to remit to the District. The continuing fee accruing to WHLS for the year ended June 30, 2007 totaled \$1,091,851. WHLS is responsible for all costs incurred in providing the educational program at the school, which includes but is not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital and insurance. If the continuing fee is not sufficient to cover these operating costs, WHLS is responsible for these costs and the covered amounts are recorded as support. Support for the year ended June 30, 2007 recorded as revenues is summarized as follows:

Total expenditures-statement of activities	\$ 1,441,921
Less: expenditures recorded related to Grant	(25,000)
Less: expenditures incurred by Board	(29,605)
Less: continuing fee due WHLS	<u>(1,091,851)</u>
Support provided by management company	<u>\$ 295,465</u>

**Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
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Notes to the Financial Statements
June 30, 2007**

Note 5– Related Party Transactions

WHLS subleases the land and building used for its school facility from Escambia County Community Land Trust, Inc. Escambia County Community Land Trust, Inc. leases the land and building for an initial term of one year and can be renewed for four additional years. WHLS paid Escambia County Community Land Trust, Inc. \$210,500 in lease expense for the year ended June 30, 2007 and is included in Facilities expenditures in the statement of activities.

Note 6– Retirement Plans

School personnel are employees of WHLS and participate in the retirement plans established by WHLS.

Note 7– Advertising Costs

Advertising costs are expensed as incurred. For the year ended June 30, 2007, advertising costs totaled \$35,551 and are included in school general administration expenditures in the statement of activities.

Note 8– Natural Classification of Expenditures

Expenditures by natural expense classification for the year ended June 30, 2007 are as follows:

Salaries and related costs	\$ 539,548
Land and building rent expense	210,500
Instructional materials and textbooks	136,552
Consulting fees	116,416
Repairs and maintenance	80,444
Custodial supplies	64,456
Office supplies	53,399
Utilities	48,769
Security services	41,319
Insurance	46,918
Advertising	35,551
Board and community services	19,951
Staff training materials	17,934
Travel	16,328
Professional fees	4,685
Internet access fees	<u>9,151</u>
 Total expenditures	 <u>\$ 1,441,921</u>

**Life Skills Center – Escambia County
(Program of Escambia County Community Land Trust, Inc.)
(A Nonprofit Organization)
Notes to the Financial Statements
June 30, 2007**

Note 9 – Risk Management

Property and Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Agreement. (See Note 4.) No claims have been made over the past year.

Director and Officer

Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible.

Note 10 - Contingencies

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

Legal Matters

In the normal course of conducting its operation, the School occasionally becomes party to various legal actions and proceedings. There are no legal matters pending to date.

Note 11 – Subsequent Events

The School is in the process of finalizing its plans and organizational documents to operate independently as a separate Florida not for profit corporation and obtaining its own 501(c)(3) determination letter from the Internal Revenue Service effective July 1, 2007. The charter school contract with the School Board of Escambia County, Florida and the management agreement with WHLS will change only in respect to the name of the new entity, Life Skills Center Escambia County, Inc.

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**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***

To The Board of Directors
Escambia County Community Land Trust, Inc.
Life Skills Center – Escambia County
Pensacola, Florida

We have audited the financial statements of Life Skills Center – Escambia County (Program of Escambia County Community Land Trust, Inc., a nonprofit organization) as of June 30, 2007, and have issued our report thereon dated August 30, 2007. 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

In planning and performing our audit, we considered Life Skills Center – Escambia County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Life Skills Center – Escambia County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization’s financial statements that is more than inconsequential will not be prevented or detected by the organization’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization’s internal control.

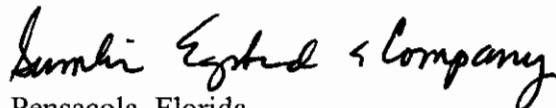
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Life Skills Center – Escambia County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Life Skills Center – Escambia County in a separate letter dated August 30, 2007.

This report is intended solely for the information and use of the Board of Directors, applicable management, applicable state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
August 30, 2007

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Independent Auditor's Management Letter

To The Board of Directors
Escambia County Community Land Trust, Inc.
Life Skills Center – Escambia County
Pensacola, Florida

We have audited the financial statements of Life Skills Center – Escambia County (Program of Escambia County Community Land Trust, Inc., a nonprofit organization) as of and for the year ended June 30, 2007 and have issued our report thereon dated August 30, 2007. 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.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General. Those rules (Section 10.854(1)(d)1.) require that we address in the management letter, if not already addressed in the auditor's report on internal controls over financial reporting and on compliance and other matters, whether or not recommendations made in the preceding annual financial audit report have been followed. The year ended June 30, 2007 was the initial year of operations for Life Skills Center – Escambia County.

As required by the Rules of Auditor General (Section 10.854(1)(d)2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of Life Skills Center – Escambia County, the results of our tests did not indicate that the organization met any of the conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the School's compliance with this requirement.

The Rules of Auditor General (Section 10.854(1)(d)3.) require disclosure in the management letter of any recommendations to address deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. There were no such matters noted.

The Rules of the Auditor General (Section 10.854(1)(d)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal control: (1) violations of laws, rules, regulation, and contractual provision or abuse that have occurred, or are likely to have occurred; (2) improper expenditures; (3) deficiencies in internal control of

inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal control. There were no such matters noted.

In planning and performing our audit of the financial statements for the year ended June 30, 2007, we considered the School's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that present opportunities for strengthening internal control and operating efficiency. We will review the status of these comments during our next audit engagement. We have already discussed these comments with various personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing our recommendations.

The matters noted and our related recommendations are as follows:

Financial Reporting – Because the School's general ledger summarizes information from three separate sources; 1) management company disbursements, 2) board disbursements and 3) the school's own imprest account disbursements, interim reporting does not provide for timely oversight by the Board. We recommend a detail of expenditures by function classifications be provided to the Board with the current interim financial reports to provide the Board with information for any expenditure they may question.

Personnel Files – Because teacher certification documentation, background screening documentation, and evidence that fingerprints were obtained and reviewed for employees were held in separate files, difficulties were encountered in our tests to determine personnel and payroll compliance. We recommend all documentation required by Chapter 1012, Florida Statutes, relating to personnel matters be maintained by employee in one file.

This report is intended solely for the information of the Board of Directors, applicable management, and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida

August 30, 2007