



**LIFE SKILLS CENTER BROWARD COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
BROWARD COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON**

JUNE 30, 2009



CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1 - 5
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	6 - 7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Basic Financial Statements	14 - 20
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	21
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities:</i>	
Management Letter	24 - 26
Written Letter of Explanation or Rebuttal	27

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The discussion and analysis of the Life Skills Center Broward County, Inc.'s (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The assets of the School exceeded its liabilities at the close of the fiscal year by \$160,701 (net assets). This is an increase from the prior year, when assets of the School exceeded its liabilities by \$154,518.

Revenues from state and local sources increased 24% (\$580,907), while expenses correspondingly increased 22% (\$552,177). The changes are primarily due to increases in enrollment.

Using this Financial Report

This report consists of three parts - the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

The first two statements - the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.

The remaining statements - the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by the private sector. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - are one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.

Net Assets

Table 1 provides a comparative summary of the School's net assets for fiscal years 2009 and 2008.

(Table 1)			
Net Assets			
	2009	2008	Increase (Decrease)
Assets			
Current Assets	\$ 191,610	\$ 122,794	\$ 68,816
Capital Assets, net	6,304	68,828	(62,524)
Total Assets	\$ 197,914	\$ 191,622	\$ 6,292
Liabilities			
Current Liabilities	\$ 37,213	\$ 37,104	\$ 109
Net Assets			
Invested in Capital Assets	6,304	68,828	(62,524)
Restricted	14,483	938	13,545
Unrestricted	139,914	84,752	55,162
Total Net Assets	\$ 160,701	\$ 154,518	\$ 6,183

The increase in current assets relates to an increase in cash and cash equivalents due to the current period excess of revenues over expenses. Net capital assets decreased as a result of depreciation in excess of capital assets purchased in the current year. Total net assets increased as a result of the current year operating surplus.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Change in Net Assets

Table 2 shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2009 and 2008.

(Table 2)
Change in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Revenues			
State and Local Sources	\$ 3,032,611	\$ 2,451,704	\$ 580,907
Total Revenues	<u>3,032,611</u>	<u>2,451,704</u>	<u>580,907</u>
Expenses			
Instruction	848,967	847,160	1,807
Pupil Personnel Services	141,366	65,688	75,678
Instructional Staff Training	97,057	147,157	(50,100)
Board	26,079	17,301	8,778
School Administration	1,439,888	845,054	594,834
Operation of Plant	445,835	480,575	(34,740)
Maintenance of Plant	27,236	71,316	(44,080)
Total Expenses	<u>3,026,428</u>	<u>2,474,251</u>	<u>552,177</u>
Change in Net Assets	<u>\$ 6,183</u>	<u>\$ (22,547)</u>	<u>\$ 28,730</u>

Total revenues increased as a result of a higher FTE count in the current year and as a result of capital outlay funds that were allocated to the School. Total expenses increased due to the management agreement that the School has in place with the management company that provides that specific amounts of funding received be paid back to the management company (see Note 6). The School also had to meet the needs of a higher student count than in the previous year.

Certain reclassifications were made in the 2008 amounts to conform to their classifications in fiscal year 2009.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the School's governmental funds reported a combined ending unreserved fund balance of \$139,914.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates.

The School's final general fund budget estimated a \$128,690 carryover to the following year. Actual results produced a carryover in the general fund of \$139,914.

Over the course of the year, the School revised its budget. With the adjustments, actual revenues were approximately \$99,000 over final budgeted amounts. This was due to a higher than expected final full-time equivalent student count. With the adjustments, actual expenses were approximately \$87,000 over final budgeted amounts. This was due to the additional WHLS of Florida management fee according to the management agreement with the School (see Note 6).

Capital Assets

At the end of fiscal year 2009 the School had \$6,304 invested in furniture and equipment, audio visual materials and computer software. Table 3 shows comparative balances of capital assets for fiscal years 2009 and 2008.

(Table 3)
Capital Assets
(Net of Depreciation)

	2009	2008	Increase (Decrease)
Furniture and Equipment	\$ 6,304	\$ 44,037	\$ (37,733)
Audio Visual Materials	-	2,187	(2,187)
Computer Software	-	22,604	(22,604)
	\$ 6,304	\$ 68,828	\$ (62,524)

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

For more information on capital assets, see Note 3 in the Notes to the Basic Financial Statements.

Current Financial Issues

As explained more fully in Note 6 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which include facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. WHLS agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Broward County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by WHLS do not represent a loan or future obligation of the School to WHLS.

For fiscal year 2009, the School's third year of operation, WHLS provided no additional support to the School. The School projects that with the absence of upfront capital investments in the facility, the School will not require support from WHLS during fiscal year 2010.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Trudy Crowetz, Financial Manager for the Life Skills Center Broward County, Inc., 2360 West Oakland Park Blvd., Oakland Park, FL 33311.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Life Skills Center Broward County, Inc.,
a Charter School and Component Unit of the District
School Board of Broward County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Life Skills Center Broward County, Inc. (the "School"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the year ended June 30, 2009, 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 Life Skills Center Broward County, Inc. as of June 30, 2009, 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 our report dated September 26, 2009 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.



The management's discussion and analysis on pages 1 - 5 and the budgetary comparison schedule on page 21 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 supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
September 26, 2009

LIFE SKILLS CENTER BROWARD COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 191,610
Capital Assets:	
Furniture and Equipment	52,357
Less Accumulated Depreciation	(46,053)
Audio Visual Materials	21,770
Less Accumulated Depreciation	(21,770)
Computer Software	170,015
Less Accumulated Depreciation	(170,015)
Total Capital Assets, net	6,304
Total Assets	\$ 197,914
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 2,500
Due to Management Company	34,713
Total Liabilities	37,213
 NET ASSETS	
Invested in Capital Assets	6,304
Restricted for Capital Projects	14,483
Unrestricted Net Assets	139,914
Total Net Assets	160,701
Total Liabilities and Net Assets	\$ 197,914

The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

FUNCTIONS				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 848,967	\$ -	\$ -	\$ (848,967)
Pupil Personnel Services	141,366	-	-	(141,366)
Instructional Staff Training	97,057	-	-	(97,057)
Board	26,079	-	-	(26,079)
School Administration	1,439,888	-	-	(1,439,888)
Operation of Plant	445,835	319,500	-	(126,335)
Maintenance of Plant	27,236	-	-	(27,236)
Total Governmental Activities	\$ 3,026,428	\$ 319,500	\$ -	(2,706,928)
 General Revenues:				
State and Local				2,713,111
Total General Revenues				2,713,111
Change in Net Assets				6,183
Net Assets-Beginning				154,518
Net Assets-Ending				\$ 160,701

The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 177,127	\$ 14,483	\$ 191,610
Total Assets	<u>\$ 177,127</u>	<u>\$ 14,483</u>	<u>\$ 191,610</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 2,500	\$ -	\$ 2,500
Due to Management Company	<u>34,713</u>	<u>-</u>	<u>34,713</u>
Total Liabilities	<u>37,213</u>	<u>-</u>	<u>37,213</u>
FUND BALANCES			
Reserved for Capital Projects	-	14,483	14,483
Unreserved	<u>139,914</u>	<u>-</u>	<u>139,914</u>
Total Fund Balances	<u>139,914</u>	<u>14,483</u>	<u>154,397</u>
Total Liabilities and Fund Balances	<u>\$ 177,127</u>	<u>\$ 14,483</u>	<u>\$ 191,610</u>

The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total fund balances - governmental funds \$ 154,397

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 as assets in the governmental funds.

6,304

Total net assets - governmental activities \$ 160,701

The accompanying notes to financial statements are an integral part of this statement.

LIFE SKILLS CENTER BROWARD COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
State and Local Sources	\$ 2,698,628	\$ 333,983	\$ 3,032,611
Total Revenues	<u>2,698,628</u>	<u>333,983</u>	<u>3,032,611</u>
EXPENDITURES			
Instruction	786,443	-	786,443
Pupil Personnel Services	141,366	-	141,366
Instructional Staff Training	97,057	-	97,057
Board	26,079	-	26,079
School Administration	1,439,888	-	1,439,888
Operation of Plant	126,335	319,500	445,835
Maintenance of Plant	27,236	-	27,236
Total Expenditures	<u>2,644,404</u>	<u>319,500</u>	<u>2,963,904</u>
Net Changes in Fund Balances	54,224	14,483	68,707
Fund Balances, July 1, 2008	<u>85,690</u>	<u>-</u>	<u>85,690</u>
Fund Balances, June 30, 2009	<u><u>\$ 139,914</u></u>	<u><u>\$ 14,483</u></u>	<u><u>\$ 154,397</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net changes in fund balances - governmental funds	\$	68,707
--	----	--------

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 allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current period.

(62,524)

Change in net assets of governmental activities	\$	6,183
--	----	-------

The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center Broward County, Inc. (the "School") 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 School contracts with WHLS of Florida, LLC ("WHLS") for most of its functions. See Note 6.

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 District School Board of Broward County (the District). The current charter is effective until June 30, 2015 and may be renewed for up to an additional ten years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter. In this case, the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if any good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the District and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governments.

The School operates under a self-appointing, three-member Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the District, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for the proceeds of capital outlay funds provided to charter schools pursuant to Florida Statutes Section 1013.62.

For the purposes of these statements, all of the above funds are considered major funds. There are no other governmental funds.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they occur.

LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

C. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. 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 funding provisions of the charter and Section 1002.33(18), 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 (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUE SOURCES (Continued)

The School is eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds, respectively, to the extent that they remain unexpended.

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of \$6,304. Depreciation is computed using the straight-line method over three years for Computer Software and Audio Visual Materials and over five years for Furniture and Equipment.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 6).

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, restricted net assets and unrestricted net assets.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

3. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2009, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 52,357	\$ -	\$ -	\$ 52,357
Audio Visual Materials	21,770	-	-	21,770
Computer Software	170,015	-	-	170,015
Total Capital Assets Being Depreciated	<u>244,142</u>	<u>-</u>	<u>-</u>	<u>244,142</u>
 Less Accumulated Depreciation:				
Furniture and Equipment	(29,753)	(16,300)	-	(46,053)
Audio Visual Materials	(19,583)	(2,187)	-	(21,770)
Computer Software	(125,978)	(44,037)	-	(170,015)
Total Accumulated Depreciation	<u>(175,314)</u>	<u>(62,524)</u>	<u>-</u>	<u>(237,838)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 68,828</u>	<u>\$ (62,524)</u>	<u>\$ -</u>	<u>\$ 6,304</u>

Depreciation expense of \$62,524 was charged to the instruction function in the accompanying Statement of Activities.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

4. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2009, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,721,832
Class Size Reduction	403,979
Capital Outlay	333,983
Discretionary Local Effort	164,260
Transportation	131,835
Supplemental Academic Instruction	99,373
ESE Guaranteed Allocation	87,004
Instructional Materials	38,883
Other FEFP	19,445
Reading Allocation	11,582
Discretionary Lottery Funds	10,286
Discretionary Millage Funds	7,220
Florida Lead Teacher	2,398
Equal Percent Adjustment	<u>531</u>
 Total State and Local Revenue	 <u><u>\$ 3,032,611</u></u>

The administration fee paid to the District during the year ended June 30, 2009 totaled \$134,811, which is reflected as a school administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

5. 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 the School’s management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance (see Note 6).

Director and Officer - Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

6. AGREEMENT WITH WHLS

The School enters into an annual Management Agreement (“Agreement”) with WHLS, which is an educational consulting and management company. The Agreement’s term will renew on an annual basis unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School’s Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School’s “Qualified Gross Revenues,” defined in the Agreement as “...all revenues and income received by the School except for charitable contributions” and “WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per 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 earned by WHLS for the year ended June 30, 2009 was \$2,941,633. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are 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.

Per the Agreement, no other amounts are required other than the continuing fee as calculated above. For year ended June 30, 2009, the continuing fee paid to WHLS included a \$829,746 management fee over and above the direct site expenses of the School itself. This amount is reflected within the “School Administration” function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds. Aside from those items defined as direct site costs, “School Administration” also includes a certain amount of indirect cost that is incurred by WHLS in managing the School. These indirect costs include expenses incurred in such areas as curriculum, human resources, finance/grants management, facilities, marketing, etc. which are focused on supporting the operations of the School. The actual management fee paid to WHLS goes towards offsetting these indirect costs.

7. CONTINGENCES

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.

**LIFE SKILLS CENTER BROWARD COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$2,600,000	\$2,600,000	\$2,698,628	\$ 98,628
Total Revenues	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,698,628</u>	<u>98,628</u>
EXPENDITURES				
Instruction	960,000	800,000	786,443	13,557
Pupil Personnel Services	80,000	140,000	141,366	(1,366)
Instructional Staff Training Services	62,000	105,000	97,057	7,943
Board	35,000	35,000	26,079	8,921
School Administration	700,000	1,000,000	1,439,888	(439,888)
Operation of Plant	620,000	450,000	126,335	323,665
Maintenance of Plant	<u>100,000</u>	<u>27,000</u>	<u>27,236</u>	<u>(236)</u>
Total Expenditures	<u>2,557,000</u>	<u>2,557,000</u>	<u>2,644,404</u>	<u>(87,404)</u>
Net Changes in Fund Balances	43,000	43,000	54,224	11,224
Fund Balance, July 1, 2008	<u>85,690</u>	<u>85,690</u>	<u>85,690</u>	<u>-</u>
Fund Balance, June 30, 2009	<u>\$ 128,690</u>	<u>\$ 128,690</u>	<u>\$ 139,914</u>	<u>\$ 11,224</u>

See report of independent auditors.



**Report of Independent Auditors 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 of Life Skills Center Broward County, Inc.,
a Charter School and Component Unit of the District
School Board of Broward County, Florida

We have audited the financial statements of the governmental activities and each major fund of Life Skills Center Broward County, Inc. (the "School"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 26, 2009. 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 the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School'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 School's internal control.



Our consideration of 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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described as follows:

2009-01 Board Training: Florida Statutes, Section 1002.33(9)(j), states that all board members should complete the required governance training by December 31, 2008. During our audit procedures, we noted that a board member had not completed the governance training by the required date. We recommend that the board member complete the training and submit the required documentation to the District and Department of Education.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 27. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management of the School, the District, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 26, 2009

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS
AND SIMILAR ENTITIES***



To the Board of Directors of Life Skills Center Broward County, Inc.,
a Charter School and Component Unit of the District
School Board of Broward County, Florida

We have audited the financial statements of the governmental activities and each major fund of Life Skills Center Broward County, Inc. (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 26, 2009.

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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 26, 2009, 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 governs 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 auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts 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. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to (a) improper or inadequate accounting procedures



(e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the School. The official title of the School is Life Skills Center Broward County, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires 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 met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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.

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

BKHM, P.A.

Winter Park, Florida
September 26, 2009



September 26, 2009

BKHM, PA
Stacy McCrady
1560 Orange Avenue
Suite 600
Winter Park, FL 32789

Ms. McCrady –

We are providing the following as our formal response to the compliance matters noted in the Financial Audit for the Life Skills Center of Broward County, Inc. for the year ended June 30, 2009.

Specifically, your audit identified the following:

2009-1 Board Training: Florida Statutes, Section 1002.33(9)(j), states that all board members should complete the required governance training by December 31, 2008. During our audit procedures, we noted that a board member had not completed the governance training by the required date. We recommend that the Board member complete the training and submit the required documentation to the District and Department of Education.

School Response: The School agrees with the finding that a certain board member did not receive the required training. However, it should be noted that management did provide every member the opportunity to attend the training. Management will continue to be vigilant about encouraging Board members to attend the offered training when it is made available in the current year.

Thank you for your assistance with the audit this year. If you have any questions regarding any of the foregoing, please do not hesitate to call.

*Board of Directors
Life Skills Center of Broward County, Inc.*