



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

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

JUNE 30, 2011



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**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of the Life Skills Center Miami-Dade County, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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 \$155,108 (net assets). This is an increase from the prior year, when assets of the School exceeded its liabilities by \$141,379. This increase is primarily related to an excess of revenues over expenses.

Revenues from state and local sources increased 19% (\$372,695), while revenues from federal sources increased 46% (\$15,728), and other revenue increased 10,870% (\$34,567) for a net increase in revenues of 21% (\$422,990). This increase in revenue was primarily driven by a higher student enrollment which increased FEFP revenue and Capital Outlay Grant Revenue and by the transfer of assets from a sister school (see Note 9). Expenses correspondingly increased 17% (\$495,427).

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.

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.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Net Assets

The table below provides a comparative summary of the School's net assets for fiscal years 2011 and .

	Net Assets		Increase (Decrease)
	2011	2010	
Assets			
Current Assets	\$ 230,859	\$ 183,973	\$ 46,886
Capital Assets, net	-	12,656	(12,656)
	<u>\$ 230,859</u>	<u>\$ 196,629</u>	<u>\$ 34,230</u>
Liabilities			
Current Liabilities	<u>\$ 75,751</u>	<u>\$ 55,250</u>	<u>\$ 20,501</u>
Net Assets			
Invested in Capital Assets	-	12,656	(12,656)
Unrestricted	<u>155,108</u>	<u>128,723</u>	<u>26,385</u>
	<u>\$ 155,108</u>	<u>\$ 141,379</u>	<u>\$ 13,729</u>

The increase in current assets is directly related to an increased cash balance and accounts receivable balance as of June 30, 2011. Net capital assets decreased as a result of depreciation in excess of any capital purchases in the current year. Current liabilities increased as a result of capital outlay funding owed to the management company (see Note 7). Unrestricted net assets increased due to the excess of revenues over expenses.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Change in Net Assets

The table below shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2011 and .

Change in Net Assets		2011	2010	Increase (Decrease)
		<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>
Revenues				
Federal Direct	\$	4,285	\$ 5,238	\$ (953)
Federal Sources Passed Through				
Local School District		45,737	29,056	16,681
State and Local Sources		2,308,567	1,935,872	372,695
Other Revenue		<u>34,885</u>	<u>318</u>	<u>34,567</u>
Total Revenues		<u>2,393,474</u>	<u>1,970,484</u>	<u>422,990</u>
Expenses				
Instruction		800,685	615,322	185,363
Pupil Personnel Services		162,807	155,104	7,703
Instructional Staff Training		17,990	15,726	2,264
Instruction Related Technology		174,288	118,234	56,054
Board		33,448	15,740	17,708
General Administration		186,593	165,754	20,839
School Administration		319,385	324,660	(5,275)
Facilities Acquisition and Construction		1,338,258	1,266,058	72,200
Transportation		178,112	91,250	86,862
Operation of Plant		202,978	134,706	68,272
Maintenance of Plant		<u>21,236</u>	<u>37,799</u>	<u>(16,563)</u>
Total Expenses		<u>3,435,780</u>	<u>2,940,353</u>	<u>495,427</u>
Special Item				
Expenses Paid by WHLS on Behalf of the School (See Note 7)		<u>1,056,035</u>	<u>989,200</u>	<u>66,835</u>
Change in Net Assets	\$	<u><u>13,729</u></u>	\$ <u><u>19,331</u></u>	\$ <u><u>(5,602)</u></u>

State and local revenue increased primarily due to a higher student enrollment than the previous year. Other revenue increased due to assets transferred to the School from a sister school (see Note 9). Total expenses increased due to a higher student count requiring a larger staff.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

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.

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, unassigned 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 unassigned fund balance of \$155,108.

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 \$166,608 carryover for the following year. Actual results produced a carryover in the general fund of \$155,108.

Actual revenues were approximately \$113,000 under final budgeted amounts. This was due to a lower than expected per pupil revenue amount from the district. Instruction expenses were approximately \$39,000 less than budgeted due to some staff turnover that was not immediately replaced. Instruction Related Technology expenses were approximately \$25,000 less than budgeted due to lower than expected contract pricing for the year. School Administration was approximately \$26,000 less than budgeted primarily due to decreased spending on advertising. Facilities Acquisition and Construction was approximately \$236,000 more than budgeted due to higher construction improvements being incurred during the year. Transportation was approximately \$38,000 more than budgeted due to higher student count requiring more funds to be used for student transportation. The expenses paid on behalf of the school by the management company were approximately \$287,000 more than budgeted due to the increase in expenses over revenues (see Note 7).

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Capital Assets

At the end of fiscal year 2011 the School had \$0 invested in capital assets. The table below shows comparative balances of capital assets for fiscal years 2011 and .

Capital Assets			
(Net of Depreciation)			
	2011	2010	Increase (Decrease)
Furniture, Fuxtures and Equipment	\$ -	\$ 322	\$ (322)
Computer Software	-	12,334	(12,334)
	\$ -	\$ 12,656	\$ (12,656)

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

Current Financial Issues

As explained more fully in Note 7 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 Miami-Dade 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 does not represent a loan or future obligation of the School to WHLS.

For fiscal year 2011, the School's sixth year of operation, WHLS provided \$1,056,035 in additional support to the School. Now that the building has been fully renovated and capital items purchased, it is expected that this amount will be drastically lower in the coming year.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Nathan Flaker, Controller for the Life Skills Center Miami-Dade County, Inc., 159 S. Main St., Suite 600, Akron, OH 44308.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Miami-Dade County, Inc. (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Miami-Dade County, Inc. as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011 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 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.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 5 and page 23, respectively, 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.

BKHM, P.A.

Winter Park, Florida
August 30, 2011

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 206,261
Accounts Receivable	24,598
Capital Assets:	
Furniture, Fixtures and Equipment	8,641
Less Accumulated Depreciation	(8,641)
Computer Software	144,657
Less Accumulated Depreciation	<u>(144,657)</u>
Total Capital Assets, net	<u>-</u>
Total Assets	<u><u>\$ 230,859</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 99
Due to Management Company	<u>75,652</u>
Total Liabilities	<u>75,751</u>
 NET ASSETS	
Unrestricted	<u>155,108</u>
Total Net Assets	<u>155,108</u>
Total Liabilities and Net Assets	<u><u>\$ 230,859</u></u>

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

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS	Expenses	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 800,685	\$ -	45,737	\$ (754,948)
Pupil Personnel Services	162,807	-	-	(162,807)
Instructional Staff Training	17,990	-	-	(17,990)
Instruction Related Technology	174,288	-	4,285	(170,003)
Board	33,448	-	-	(33,448)
General Administration	186,593	-	-	(186,593)
School Administration	319,385	-	-	(319,385)
Facilities Acquisition and Construction	1,338,258	-	-	(1,338,258)
Transportation	178,112	-	-	(178,112)
Operation of Plant	202,978	-	-	(202,978)
Maintenance of Plant	21,236	-	-	(21,236)
Total Governmental Activities	\$ 3,435,780	\$ -	\$ 50,022	(3,385,758)
General Revenues:				
State and Local Sources				2,308,567
Other Revenues				34,885
Total General Revenues				2,343,452
Special Item:				
Expenses Paid by WHLS on Behalf of the School (See Note 7)				1,056,035
Change in Net Assets				13,729
Net Assets-Beginning				141,379
Net Assets-Ending				\$ 155,108

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

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 206,261	\$ -	\$ 206,261
Accounts Receivable	-	24,598	24,598
Due from Capital Projects Fund	24,598	-	24,598
Total Assets	<u>\$ 230,859</u>	<u>\$ 24,598</u>	<u>\$ 255,457</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 99	\$ -	\$ 99
Due to Management Company	75,652	-	75,652
Due to General Fund	-	24,598	24,598
Total Liabilities	<u>75,751</u>	<u>24,598</u>	<u>100,349</u>
FUND BALANCES			
Unassigned	<u>155,108</u>	<u>-</u>	<u>155,108</u>
Total Fund Balances	<u>155,108</u>	<u>-</u>	<u>155,108</u>
Total Liabilities and Fund Balances	<u>\$ 230,859</u>	<u>\$ 24,598</u>	<u>\$ 255,457</u>

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

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 155,108

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. The cost of assets is \$144,657 and the accumulated depreciation is \$144,657

Total Net Assets - Governmental Activities -
\$ 155,108

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

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal Direct	\$ -	\$ -	\$ 4,285	\$ 4,285
Federal Sources Passed Through				
Local School District	-	-	45,737	45,737
State and Local Sources	2,068,145	240,422	-	2,308,567
Other Revenues	34,885	-	-	34,885
	<u>2,103,030</u>	<u>240,422</u>	<u>50,022</u>	<u>2,393,474</u>
Total Revenues				
EXPENDITURES				
Instruction	742,614	-	45,737	788,351
Pupil Personnel Services	162,807	-	-	162,807
Instructional Staff Training	17,990	-	-	17,990
Instruction Related Technology	170,003	-	4,285	174,288
Board	33,448	-	-	33,448
General Administration	186,593	-	-	186,593
School Administration	319,063	-	-	319,063
Facilities Acquisition and Construction	1,097,836	240,422	-	1,338,258
Transportation	178,112	-	-	178,112
Operation of Plant	202,978	-	-	202,978
Maintenance of Plant	21,236	-	-	21,236
	<u>3,132,680</u>	<u>240,422</u>	<u>50,022</u>	<u>3,423,124</u>
Total Expenditures				
SPECIAL ITEM				
Expenses Paid by WHLS on Behalf of the School (See Note 7)	1,056,035	-	-	1,056,035
Net Changes in Fund Balances	26,385	-	-	26,385
Fund Balances, July 1, 2010	128,723	-	-	128,723
Fund Balances, June 30, 2011	<u>\$ 155,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,108</u>

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

**LIFE SKILLS CENTER MIAMI-DADE 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, 2011**

Net Changes In Fund Balances - Governmental Funds \$ 26,385

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.

(12,656)

Change In Net Assets Of Governmental Activities \$ 13,729

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

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY

Life Skills Center Miami-Dade 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 7.

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 Miami-Dade County, Florida (the "School Board" or the "District"). The current charter is effective until June 30, 2015 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board 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 School Board may also terminate the charter if 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 School Board. 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 School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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 School operates in a facility leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

During fiscal year 2011, the School adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

Basis of Presentation

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

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.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and capital projects funds constitute major funds. The special revenue fund is considered non-major and is presented as the other governmental fund.

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 MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(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.

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.

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 and the Balance Sheet – Governmental Funds, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

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 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 general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent eligible expenditures have been incurred.

The School is also 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, any unexpended amounts are reflected as restricted net assets and

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

restricted fund balance in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds, respectively.

Capital Assets and Depreciation

For purposes of recording capital assets, the School 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. Depreciation is computed using the straight-line method over three years for Furniture, Fixtures and Equipment and Computer Software.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 7).

Net Assets

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

Fund Balance Spending Policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed or assigned by formal action of the Board. There are no minimum fund balance requirements for any of the School's other funds.

Income taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2007.

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.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 30, 2011, which is the date the financial statements were available to be issued.

3 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds includes \$24,598 in capital outlay funds, which are receivable from the District.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

4 CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2011, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 8,641	\$ -	\$ -	\$ 8,641
Computer Software	144,657	-	-	144,657
Total Capital Assets Being Depreciated	<u>153,298</u>	<u>-</u>	<u>-</u>	<u>153,298</u>
 Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(8,319)	(322)	-	(8,641)
Computer Software	(132,323)	(12,334)	-	(144,657)
Total Accumulated Depreciation	<u>(140,642)</u>	<u>(12,656)</u>	<u>-</u>	<u>(153,298)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 12,656</u>	<u>\$ (12,656)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense of \$12,334 was charged to the instruction function and \$322 was charged to the school administration function in the accompanying Statement of Activities.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2011, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,261,962
Class Size Reduction	317,114
Capital Outlay	213,950
Discretionary Millage	127,278
Supplemental Academic Instruction	114,010
State Fiscal Stabilization Funds	107,094
Transportation	85,150
ESE Guaranteed Allocation	32,915
Instructional Materials	26,292
Reading Instruction	12,271
Safe Schools	9,297
Discretionary Lottery Funds	1,234
Total State and Local Revenue	\$ 2,308,567

The administration fee paid to the School Board during the year ended June 30, 2011 totaled \$78,278, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

6 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, WHLS has contracted with an insurance company for property and general liability insurance (see Note 7).

Director and Officer

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

7 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

LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

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 School Board. The continuing fee earned by WHLS for the year ended June 30, 2011 was \$2,006,101. 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 reported above. For the year ended June 30, 2011, WHLS paid expenses to operate the school totaling \$1,056,035, which is included as a special item in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. WHLS spent approximately \$913,000 to remodel the School facility, which is included in the "Facilities Acquisition and Construction" function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds. Expenses to operate the School include the direct site expenses of the School and the expenses of the WHLS Florida administrative office, which manages the School's curriculum, human resources, finance/grants management, facilities, marketing, etc. The indirect costs of the Florida administrative office are recorded in the "General Administration" function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

In accordance with the Agreement, substantially all assets used to operate the School are owned by WHLS, other than those recorded as capital assets in the accompanying Statement of Net Assets. The Agreement contains provisions for the School (at its option) to purchase all of the personal and real property relating to the operation of the School, free and clear of all liens or other encumbrances upon the end of the contract.

8 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 MIAMI-DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

9 TRANSFER OF ASSETS

During fiscal year 2011, another separate school managed by WHLS closed and assets owned by the school, totaling approximately \$11,000, as well as assets owned by WHLS, totaling approximately \$21,000, were transferred to the School. The receipt of these assets was recorded as other income and instruction expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. None of these assets met the School's capitalization threshold.

**LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$ 2,216,325	\$ 2,216,325	\$ 2,068,145	\$ (148,180)
Other Revenues	-	-	34,885	34,885
Total Revenues	<u>2,216,325</u>	<u>2,216,325</u>	<u>2,103,030</u>	<u>(113,295)</u>
EXPENDITURES				
Instruction	1,188,645	781,575	742,614	38,961
Pupil Personnel Services	207,875	170,000	162,807	7,193
Instructional Staff Training	31,250	20,000	17,990	2,010
Instruction Related Technology	-	194,615	170,003	24,612
Board	25,000	25,000	33,448	(8,448)
General Administration	-	175,000	186,593	(11,593)
School Administration	519,000	345,000	319,063	25,937
Facilities Acquisition and Construction	324,743	861,350	1,097,836	(236,486)
Transportation	123,438	140,000	178,112	(38,112)
Operation of Plant	155,875	199,500	202,978	(3,478)
Maintenance of Plant	50,625	35,000	21,236	13,764
Total Expenditures	<u>2,626,451</u>	<u>2,947,040</u>	<u>3,132,680</u>	<u>(185,640)</u>
SPECIAL ITEM				
Expenses Paid by WHLS on Behalf of the School (See Note 7)	448,010	768,600	1,056,035	287,435
Net Changes in Fund Balances	37,884	37,885	26,385	(11,500)
Fund Balance, July 1, 2010	<u>128,723</u>	<u>128,723</u>	<u>128,723</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 166,607</u>	<u>\$ 166,608</u>	<u>\$ 155,108</u>	<u>\$ (11,500)</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 Miami-Dade County, Inc.,
a Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Miami-Dade County, Inc. (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management of the School, the District School Board of Miami-Dade County, Florida, 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
August 30, 2011

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



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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Miami-Dade County, Inc. (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated August 30, 2011, 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 and recommendations made in the preceding annual financial audit report.
- 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 provisions of 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 provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not



significant deficiencies. 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 Miami-Dade 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)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2011, 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, 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
August 30, 2011