

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	1
Schedule of Findings.....	3

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Life Skills Center of Northeast Ohio  
Cuyahoga County  
12201 Larchmere Boulevard  
Cleveland, Ohio 44120

To the Board of Directors:

We have audited the financial statements of the Life Skills Center of Northeast, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2006 and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2006-003 and 2006-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the School's management dated May 31, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002. In a separate letter to the School's management dated May 31, 2007, we reported an other matter related to noncompliance we deemed immaterial.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 31, 2007

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**Noncompliance - Credit Card Expenses**

The Board's Credit Card Policy states "upon receipt of original itemized documentation, credit card expenditures will be paid through the Board of Director's bank account." It further provides that "failure to submit an original itemized receipt for any purchase made on the Board credit card shall result in rejection of payment for any and all charges not properly documented. The Board Member for said purchase will then be held responsible for the incurred charges." Further, the policy provides that "the Board of Directors and the Fiscal Officer are responsible for the supervision, distribution, use, and documentation of the credit card.

The following deficiencies were noted with respect to credit card expenses:

- A. A check for \$149.70 was issued to the Board President by the bank for a credit balance on a Board-issued credit card and subsequently cashed by the Board President. This amount, which was allocated proportionally across 19 schools (the Board President serves as Board President for 19 community schools) by the Fiscal Officer, amounting to \$7.88 per school, was not returned during the audit period by the Board President.
  
- B. Contrary to Auditor of State Bulletin 2003-005 and Ohio Attorney General Opinion 82-006 there was no Board approval for the following expenses:
  - A credit card purchase totaling \$110 was made for two tickets to the Cleveland Zoo's Twilight at the Zoo and allocated proportionally across 18 schools, amounting to \$6.11 per school, for which no business purpose was provided by the Board President.
  
  - Registration fees totaling \$850 were paid in order for the Board President and a guest to attend the National League of Cities 2005 National Summit on Your City's Families and allocated proportionally across 18 schools, amounting to \$47.22 per school, for which no business purpose was provided by the Board President, nor was a reason provided to substantiate the payment of expenses for a non-Board member.
  
- C. Contrary to the School's credit card policy, an unsubstantiated credit card purchase totaling \$26.62 at Corky & Lenny's was made by the Board President and allocated proportionally across 18 schools, amounting to \$1.48 per school.

The Board President voluntarily repaid the amounts under audit to each respective School on February 27, 2007.

In order to further correct these deficiencies, the Fiscal Officer and all Board members should review the School's credit card policy to ensure all requirements are adhered to including proper documentation requirements and review of documentation prior to payment of the charges. Additionally, the Fiscal Officer and all Board members should review Auditor of State Bulletin 2003-005 and Ohio Attorney General Opinion 82-006 to ensure all expenses clearly meet the definition of proper public purpose.

**Officials' Response:** Total errors in calculation for this finding were \$62.69. This expense was incurred during a board members travel on verified and official board business. However, receipts were misplaced. Internal controls have been put in place to ensure that proper documentation requirements and review of documentation prior to payment of the charges are adhered to.

## FINDING NUMBER 2006-002

### Other Matters

#### Government Auditing Standards

*Government Auditing Standards*, Paragraph 5.17 requires disclosure when auditors conclude that significant abuse has occurred or is likely to have occurred. *Government Auditing Standards*, Paragraph 4.19 describes abuse as behavior where:

“No law, regulation, or provision of a contract or grant agreement is violated. Rather, abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.”

The School is one of 19 community schools managed by the same management company. Some board members of the School also serve on the boards of other schools managed by the same management company.

17 of these 19 common school boards resolved to compensate board members \$125 per board meeting. Due to their similar membership, board meetings of multiple schools were often held on the same date and at the same time. As a result, some board members were paid at a minimum of \$250 (2 schools served X \$125) to a maximum of \$2,125 (17 schools served X \$125) for attending one board meeting.

We question whether a prudent person would consider paying a board member multiple times for attending one meeting as a reasonable practice.

**Officials' Response:** Board compensation has not been characterized in its full context. During the fiscal years 2005 and 2006, the management company hired by the boards of 19 common charter schools including this school, had a significant downsizing and restructuring which resulted in several changes in the company's upper level management, numerous employee changes, downsizing of management staff and constant reductions of school staff employees. In short there was a significant loss of service from the management company hired by the boards to operate these various 19 charter schools. It was readily admitted by the management company that problems had occurred within its internal operations. In order to ensure that each school ran efficiently, certain board members began supplementing management services to the school. Due to the amount of time involved, particular board members entered into Independent Contracts with the various 19 school boards to provide additional services to the schools above and beyond mere board governance tasks. Unfortunately, legislation nullified such independent contracts for these board members performing personal services in Ohio charter schools. As a result, board meetings and committee meetings became the only legal avenue for board members to accomplish necessary and additional tasks for the schools. Due to the apparent crisis within the management company, a majority of board members performed work hours ranging between 15 to 50 hours per week, including weekends to assist with service to the schools. Schools were increasingly checked by board members for custodial concerns; individual board members attended numerous meetings with disgruntled employees and teaching staff employed by the management company; and, Board members personally supplemented management services for the timely reconciliation and accurate reporting to each board of Federal and State aid monies expensed by the management company. Board members spent an enormous amount of time reviewing documentation related to the management company's internal operations, its downsizing and comparing the correlation between fees paid to management, grant reconciliation, and the actual services rendered by management to each school. Additional vendors had to be located, interviewed and hired by each board to cover services that the management normally performed. It is conceded that the payment of board stipends were authorized often at one meeting for multiple schools.



### **FINDING NUMBER 2006-002 (Continued)**

**Officials' Response: (continued)** However, stipend payments reflected the overall compensation for significant hours of participation by each board member on a monthly basis-not simply one meeting. During this time period, members did not take stipends for each committee meeting as legally there were entitled to. Since there were a very large number of committee meetings to supplement management services, the payment of stipends for all committee meetings attended by board members in the years 2005-2006 would have resulted in enormous stipend expense for each school. For this reason, board members actually limited their stipends by issuing them, in most instances, at regular and special meetings of the board, regardless of the number of committee meetings held. Thus, one stipend payment for each board member, per school entity, was issued generally at special and regular meetings for each separate board. This stipend took into consideration the numerous committee meetings and individual hours of performance by each member, for each separate entity. Thus, the action of authorizing multiple stipend payments at one meeting for 17 or 19 schools, as opposed to 17 or 19 separate meetings, ensured limited stipend expenses, consistent financial accounting of stipends payments and unified decision making for 19 commonly managed schools. Moreover, effective time management was accomplished by board members in holding one meeting to discuss common issues with management concerning all 19 schools as opposed to discussing the same issues and similar concerns 17 or 19 different times. Therefore, when fully considered in its full context, and, given the facts and circumstances surrounding each individual schools management crisis- board members were compensated reasonably for necessary business practices and services rendered for each separate school entity.

Notwithstanding the board's response, the Board has taken action to develop internal controls to ensure that the schools can be operated in the event that the management company fails provide necessary services to its multiple managed schools. In 2005, the Board hired its own fiscal officer for increased control over the flow of school funding and alleviated the use of managements company's fiscal officer. The Board now requires increased detail in expenditure reports by management and increased board resolution and consent prior to management decisions. The Board also places greater reliance on contractual remedies at law to resolve management concerns. Further, the Board has reduced management fees to cover overall deficiencies or shortcomings with service as the management company continues to downsize hired staff. Recently, the Board reserved fees from the management company to pay for building security when it was significantly reduced by the company at each school to the detriment of the students. By identifying alternate providers and staying abreast of the constant internal changes with the management company, the multiple Board and the schools so governed are now equipped to immediately outsource service providers without having board members personally perform an exorbitant amount of management related oversight.

**Auditor of State's Conclusion:** There was no documentation to support that the Board Members provided the services described above beyond their attendance at the meetings.

### **FINDING NUMBER 2006-003**

#### **Reportable Condition - Bookkeeping Errors/Adjustments**

Throughout the audit, the following deficiencies were noted with respect to the accounting records:

- Although bank reconciliations were performed on each account, no reconciliation was performed to encompass the entire school.
- GAAP schedules and/or workpapers were not complete
- Checks were not always written in sequential order.
- Similar expenses were not always consistently charged to the same line items.
- Expenses were improperly allocated to schools for which the expense did not apply.
- Supporting documentation was not always maintained for all expenses.
- Expense Reimbursement Forms and Request for Travel Forms were not provided for all expenses in which they apply.
- Accounting errors resulting in various receivables and/or payables were not corrected in a timely manner.

**FINDING NUMBER 2006-003 (Continued)**

- Although the Fiscal Officer was generally able to provide immediate explanations, repeated requests were required in order to obtain sufficient supporting documentation.

In order to correct these deficiencies, the Fiscal Officer should:

- Include investments on the reconciliation so the School's cash balance reconciles to the School's book balance.
- Ensure all GAAP schedules are complete and tie to the trials.
- Write all checks in sequential order.
- Establish guidelines to ensure all similar expenses are uniformly charged to the same line item.
- Allocate expenses only across schools who received a benefit.
- Maintain supporting documentation for all transactions.
- Maintain all Board policy required forms.
- Ensure all receivables and/or payables resulting from accounting errors are resolved in a timely manner.
- Ensure the existence of a clear audit trail supported by proper documentation for all transactions.

**Officials' Response:**

**Account reconciliations**-All bank accounts are reconciled within QuickBooks. The system requires that each bank account be reconciled separately. The system then generates financial statements that reconcile all cash accounts. Thus, the accounting system has already performed this function.

**GAAP Schedules and Work papers**-The current fiscal officer maintains that GAAP schedules and work papers were prepared appropriately. The current fiscal officer disagrees with the AOS to discuss relative to the accruals of federal revenues, expenses, and their related receivables and payables, as well as the need to breakout small dollar items who's amounts are immaterial to the financial statements.

**Netting of State Funding and Continuing Fees Payable and Receivable**-The Fiscal Officer contends that netting of payables and receivables is an acceptable practice under generally accepted accounting principles. As such, this error is immaterial as a matter of course.

**Sequential checks**-The QuickBooks accounting software has a feature called missing checks that allows for every check to be accounted for regardless of date written. Because the fiscal officer had to travel to the school and pay bills on site, some schools checks may have been out of sequence. It does not make sense to void a check that was not used on a particular date when the accounting system accounts for it.

**Voided Checks**-The majority of voided checks were lost in the mail. Others were destroyed during printing. As such, it is not possible to keep a copy of the actual voided check in these instances.

**Similar Expenses not coded consistently**-Each school is its own separate school district and legal entity. As such, the fiscal officer may determine that coding for one school does not make sense for a similar school based upon individual circumstances. However, similar coding where practicable will be used.

**Allocation of expenses**-For certain low dollar expenses shared among 19 schools, the fiscal officer felt that writing small checks (i.e. \$2, 5, \$10, etc. 19 times) to allocate out payments was immaterial as a matter of course.

**FINDING NUMBER 2006-003 (Continued)**

**Officials' Response: (continued)**

**Supporting documentation-** Due to the decentralization of management, physical documents are now generated from a variety of custodians such as the management company, board counsel, board secretary and board fiscal officer. Further, the fiscal officer maintains files in the office by vendor by date. However, the AOS prefers filing by date without regard to the vendor. The fiscal officer's staff works to rearrange its files in accordance with the AOS' preference, but some documents must be verified and re-arranged from other custodians causing delay in some instances in supporting documentation. The school is working to centralize its documentation at the Board office.

**Depreciation-**The predecessor accountant used a computerized fixed asset system for small items and a spreadsheet for large leasehold improvements. As a result, some schools schedules may not have tied out totally. As a result, a computerized fixed asset system will be used for all assets henceforth.

**Expense Reimbursements-**Expense reimbursement checks and credit card payments were all signed by an executive officer/board member, not the fiscal officer. All payments were reviewed as part of the financial report and approved by the Board. As such, the need for these forms is rendered moot since the Board member(s) (who would normally sign the reimbursement or travel form) instead, signed the check.

**Accounting Errors not corrected in timely manner-**The school contends that the errors identified are immaterial as a matter of course. During fiscal year 2006, the School switched fiscal officers from the management company to a private firm. As a result, document maintenance was decentralized. Contracts and other legal documents were maintained by the Board, day-to-day school records are maintained by the management company, and financial documents were given to the fiscal officer. Furthermore, the current fiscal officer is located in Columbus, the Board's offices are in Cleveland, and the audit was performed in Akron. As a result, documents had to be shipped to Akron for audit and there was a misunderstanding relative to which parties were going to give the auditor which documents.

**Auditor of State's Conclusion:** The bullet points listed in the finding above represent conditions within the internal control structure identified during the audit of this school. While the Auditor of State relies on supporting documentation maintained by the client to determine the propriety of tested transactions, as well as, client-created system documentation to determine the accounting treatment employed in the creation of the entity's financial statements, the Auditor of State has no requirements regarding the filing methods and/or format in which this information is maintained. Rather the errors noted in this finding were the result of; system documentation that did not agree to the reported amounts, improper or inconsistent accounting treatment of transactions, and incomplete or missing supporting documentation of recorded transactions. In addition to any resulting quantitative differences, these errors had unfavorable qualitative impact and taken collectively, represent a significant reportable condition within internal control requiring disclosure in this report.

**FINDING NUMBER 2006-004**

**Reportable Condition – Board Compensation**

The following deficiencies were noted with respect to Board member compensation:

- For a portion of the year, certain Board members were paid in accordance with individual contracts; however, all contracts were not readily available for review.
- Approval of stipends for attendance at committee meetings was not documented within the minutes and required the passage of a retroactive resolution by the Board.
- Appointment of Board members to various committees was not always documented within the minutes.
- Invoices were generated and payments were made in accordance with invoices; however, invoices did not always agree with attendance per the minutes.

Although alternative procedures were performed in the testing of stipends, in order to improve controls and help monitor compensation for Board members:

- Contracts should be maintained and available for review for all Board members.
- All payroll related actions should be approved by the Board and documented within the minutes.
- Appointments to committees should be documented within the minutes.
- Stipends should be paid based upon meeting attendance per Board resolution.

**Officials' Response:** The school contends that the errors identified are immaterial as a matter of course.

# **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2006



**Life Skills Center of Northeast Ohio**

**Cleveland, Ohio**



**Life Skills Center of Northeast Ohio  
Cleveland, Ohio**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2006**

**Prepared by Ohio Community School Consultants, Ltd on behalf of the Board of Directors**





**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2006**

**TABLE OF CONTENTS**

<b>Title</b>	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i
Board of Directors.....	iv
Government Finance Officers Association Certificate	
<b>FINANCIAL SECTION</b>	
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses, and Changes in Net Assets.....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements .....	11
<b>STATISTICAL TABLES</b>	
Operating Expenses by Category - Last Four Fiscal Years .....	22
Operating and Non-Operating Revenues - Last Four Fiscal Years .....	23
Full Time Equivalent (FTE) Enrollment - Last Three Fiscal Years .....	24
Grant Revenues by Source - Last Four Fiscal Years.....	25
Net Assets - Last Four Fiscal Years .....	26
State Basic Aid - Per Pupil Funding Amount - Last Three Fiscal Years .....	27
Student Population by Resident District - 2006 Fiscal Year.....	28
Miscellaneous Statistics.....	29

**This page intentionally left blank.**

# Introductory Section

**This page intentionally left blank.**



12201 Larchmere Blvd  
Cleveland, OH 44120-1101

(216) 421-7587 (P)  
(216) 421-8189 (F)  
[www.lifeskillscenters.com](http://www.lifeskillscenters.com)

---

June 30, 2007

Life Skills Center of Northeast Ohio Community  
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Life Skills Center of Northeast Ohio (the School) for the fiscal year ended June 30, 2006. The CAFR is designed to assist and guide the reader in understanding its contents. The report consists of three major sections:

Introductory Section The Introductory Section includes the Transmittal Letter, a list of our Board members and GFOA Certificate of Achievement.

Financial Section The Financial Section consists of the Independent Accountants' Report, Management's Discussion and Analysis, and the Basic Financial Statements as well as the Notes to the Basic Financial Statements that provide an overview of the School's financial position and operating results.

Statistical Section The Statistical Section includes selected financial and demographic information about the School on a multi-year basis.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2006 and the Independent Accountants' Report on the Basic Financial Statements is included in the Financial Section herein.

As required by GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Accountants' Report and provides an assessment of the School's finances for fiscal year 2006 and the outlook for the future.

### Profile of the Government

Ohio charter schools began operating after the passage of a 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. Effective July 1, 2005, the School entered into a contract with a new sponsor, St. Aloysius Orphanage. St. Aloysius Orphanage provides oversight and advisory services to 29 community schools throughout the State serving nearly 7,000 children.

Life Skills Center of Northeast Ohio is a School that brings an innovative approach to addressing the high school dropout epidemic head on. This alternative high school program offers at-risk students ages 16-21 years old an opportunity to have a second chance at obtaining a quality education and vocational training and placement. Participation in this program leads students to a high school diploma, not a GED and places them on a path to success (see more at [www.lifeskillscenters.com](http://www.lifeskillscenters.com)). The School, which first opened its doors in November 2003 in Cleveland, Ohio is run by a four member Board of Directors. The School looks to its nearly three-year history of consistently graduating students from its program twice a year as a measure of its success. The School has contracted with LS Northeast Ohio, LLC, a subsidiary of White Hat Management, LLC (the Company) to operate the School on a day-to-day basis. White Hat Management is a national leader in professional education management that serves nearly 18,000 students across multiple states. The Company has managed the School since its inception.

### Economic Issues

Since the enactment of community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see Statistical Section for historical funding levels). Historically, the School has seen increases in the base level per pupil funding amount (currently 2.2 percent for fiscal years 2007 and 2006). However, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities that they operate in. By comparison, the Cleveland City School District receives over \$12,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Cleveland) receives only \$7,727 from all sources. These disparities in funding are in part, the reason why contracting with a professional educational management firm like White Hat Management was an attractive option. By managing multiple schools, the Company is able to gain operational efficiencies that are more difficult to achieve in a stand-alone school. In November 2005, the School renewed its management agreement with White Hat and its affiliates. (See Note 9 for a full description of services provided by the Company.)

As discussed later, the School was funded on 443 full-time equivalent students for fiscal year 2006. As of the date of this letter, it is expected that the School will maintain that enrollment with the possibility of a slight decline consistent with declines seen in other Life Skills Centers throughout the State. Obviously, any decline in enrollment would have a direct corresponding impact to current year revenues.

As a result of legislative changes, management companies that operate schools in the State of Ohio are now required to provide more disclosure on how monies paid by the School to the company are spent. Auditor of State Bulletin No. 2004-009 provided the guidelines of how management companies are expected to comply with this new provision and Note 10 to the basic financial statements under the Financial Section includes the required information for fiscal year ended June 30, 2006.

Awards and Acknowledgements

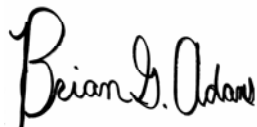
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Life Skills Center of Northeast Ohio for its CAFR for the year ended June 30, 2005. This was the second year that the School has received the award. The School was also acknowledged by the Ohio Department of Education as being one of the first community schools in the State to ever receive such an award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and effectively organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report, which is included herein, will conform to the high standards required by the Certificate of Achievement program.

The Comprehensive Annual Financial Report was prepared by the fiscal management team for the School. Their commitment to this process has helped to make this report possible. We would also like to thank Mr. Townsend and other members of the Board of Directors and Finance Committee for their support in this endeavor. It is truly appreciated.

Finally, we would like to thank our School community for entrusting us with the education of your children. You are the reason we are here. We are committed to bettering our students, their parents, and the communities we serve by providing the very best alternative in public education.

Sincerely,



Brian G. Adams MBA, CMA, CFM, CGFM  
Fiscal Officer/Internal Auditor  
Life Skills Center of Northeast Ohio



Robert C. Townsend II  
President, Board of Directors  
Life Skills Center of Northeast Ohio



James E. Haynes  
Finance Committee Chairman  
Life Skills Center of Northeast Ohio

Life Skills Center of Northeast Ohio  
Board of Directors  
June 30, 2006

---

Robert C. Townsend II  
James E. Haynes  
James A. Stubbs  
Edward D. Wilkins, Sr.

Board President  
Board Vice-President  
Board Treasurer  
Board Secretary



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Life Skills  
Center of Northeast Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Fudge*

President

*Jeffrey R. Emer*

Executive Director

**This page intentionally left blank.**

# Financial Section

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Life Skills Center of Northeast Ohio  
Cuyahoga County  
12201 Larchmere Boulevard  
Cleveland, Ohio 44120

To the Board of Directors:

We have audited the accompanying basic financial statements of the Life Skills Center of Northeast Ohio, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Life Skills Center of Northeast Ohio, Cuyahoga County, Ohio, as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the School's basic financial statements. The introductory and statistical sections provide additional information and are not a required part of the basic financial statements. We did not subject the introductory and statistical sections to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA  
Auditor of State

May 31, 2007

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)**

The discussion and analysis of the Life Skills Center of Northeast Ohio's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, net assets increased \$86,362 which represents a 44.1 percent increase from 2005. The increase is the result of the decrease in funding to the management company from 97 percent to 95 percent and payment of outstanding liabilities to the management company in 2006.
- Total assets increased \$92,799, which represents a 24.2 percent increase from 2005. This was primarily due to an increase in receivables from the previous year.
- Liabilities increased \$6,437, which represents a 3.4 percent increase from 2005. The increase in liabilities is a direct result of the increase in State Funding Payable (which directly decreases revenue paid by the State) and Federal Grants Funding Payable (which directly increases expenses owed as management fees).

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise presentation for all of its activities.

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the School did financially during 2006. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)**

Table 1 provides a summary of the School's net assets for fiscal years 2006 and 2005.

(Table 1)  
**Statement of Net Assets**

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current Assets	\$ 433,164	\$ 334,765
Capital Assets, Net	42,467	48,067
Total Assets	\$ 475,631	\$ 382,832
<b>Liabilities</b>		
Current Liabilities	\$ 193,400	\$ 186,963
<b>Net Assets</b>		
Investment in Capital Assets	\$ 42,467	\$ 48,067
Unrestricted	239,764	147,802
Total Net Assets	\$ 282,231	\$ 195,869

Total assets increased \$92,799. This was primarily due to a increase in receivables. Liabilities increased \$6,437 from 2005. This increase directly corresponds to the increase in payables as the School operates under a management agreement with WHLS of Ohio, LLC (WHLS). Under the terms of the management agreement, WHLS is paid a specific percentage of the State and Federal revenues the School receives.

**Statement of Revenues, Expenses and Changes in Net Assets**

Table 2 shows the changes in net assets for fiscal years 2006 and 2005, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.



**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)**

(Table 2)  
**Change in Net Assets**

	<b>2006</b>	<b>2005</b>
<b><u>Operating Revenues</u></b>		
State Aid	\$ 3,176,404	\$ 4,433,684
<b><u>Non-Operating Revenues</u></b>		
Grants	233,296	284,666
Interest Income	12,768	4,033
Miscellaneous	723	-
Total Revenues	3,423,191	4,722,383
<b><u>Operating Expenses</u></b>		
Purchased Services: Mgt Fees	3,045,508	4,300,673
Purchased Services: Grant Programs	233,296	284,666
Sponsorship Fees	16,354	-
Legal & Professional Services	14,010	12,983
Auditing & Accounting	7,813	5,277
Insurance	3,503	1,980
Depreciation	5,600	5,600
Board of Education	9,989	4,877
Miscellaneous	756	243
Total Expenses	3,336,829	4,616,299
Change in Net Assets	\$ 86,362	\$ 106,084

The primary reason for the decrease in overall revenues from 2005 was the decrease in students from 590 in fiscal year 2005 to 443 in fiscal year 2006. The School's most significant expenses, "Purchased Services" decreased as well because of the management agreement in place between the School and WHLS. As stated previously, the agreement provides that specific percentages of the revenues received by the School will be paid to WHLS to fund operations. (See Notes to the Basic Financial Statements, Note 9)

**Budgeting Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process. However, the School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)**

**Capital Assets**

At the end of fiscal year 2006 the School had \$42,467, invested in Leasehold Improvements, which represented a decrease of \$5,600 from 2005. Table 3 shows the changes in Capital Assets below.

(Table 3)

**Capital Assets (Net of Depreciation)**

	<u>2006</u>	<u>2005</u>
Leasehold Improvements	<u>\$ 42,467</u>	<u>\$ 48,067</u>

For more information on capital assets, see Note 7 in the Notes to the Basic Financial Statements.

**Current Financial Issues**

The Life Skills Center of Northeast Ohio received revenue for 443 students in 2006 (a decrease from 2005 of 147) and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$7,170 in fiscal year 2006 with a 2.2 percent increase in State Basic Aid planned in fiscal year 2007. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage as its new sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee, a cost that has not been incurred through the sponsorship by ODE. Saint Aloysius Orphanage charged a half-percent of State Aid to be paid by the School for fiscal year 2006 and will charge one percent for fiscal year 2007.

**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 Brian G. Adams, Fiscal Officer for the Life Skills Center of Northeast Ohio, 7215 Sawmill Rd, Suite 050, Dublin, OH 43016 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$298,295
Accounts Receivable	175
State Funding Receivable	5,390
Grants Funding Receivable	129,256
Receivable from School	<u>48</u>

Total Current Assets 433,164

Noncurrent Assets:

Depreciable Capital Assets, net	<u>42,467</u>
---------------------------------	---------------

**Total Assets** \$475,631

**LIABILITIES**

Current Liabilities

Accounts Payable	\$ 5,541
Grant Funding Payable	182,738
Continuing Fees Payable	<u>5,121</u>

**Total Liabilities** \$193,400

**NET ASSETS**

Investment in Capital Assets	\$ 42,467
Unrestricted	<u>239,764</u>

**Total Net Assets** \$282,231

See accompanying notes to the basic financial statements

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**OPERATING REVENUES**

State Aid \$3,176,404

**OPERATING EXPENSES**

Purchased Services: Management Fees 3,045,508

Purchased Services: Grant Programs 233,296

Sponsorship Fees 16,354

Legal 11,938

Auditing & Accounting 7,813

Insurance 3,503

Depreciation 5,600

Professional Services 2,072

Board of Education 9,989

Miscellaneous 756

Total Operating Expenses 3,336,829

**Operating Loss** (160,425)

**NON-OPERATING REVENUES**

Grants 233,296

Interest Income 12,768

Miscellaneous Non-Operating Revenue 723

**Total Non-Operating Revenues** 246,787

**Change in Net Assets** 86,362

**Net Assets Beginning of Year** 195,869

**Net Assets End of Year** \$ 282,231

See accompanying notes to the basic financial statements

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State of Ohio	\$3,180,690
Cash Payments to Suppliers for Goods and Services	<u>(3,325,011)</u>
Net Cash Used for Operating Activities	(144,321)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Miscellaneous Cash Deposits	723
Cash Received from Grant Programs	<u>229,678</u>
Net Cash Provided by Noncapital Financing Activities	230,401

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest on Investments	<u>12,768</u>
Net Cash Provided by Investing Activities	12,768
Net Increase in Cash and Cash Equivalents	98,848
Cash and Cash Equivalents Beginning of Year	<u>199,447</u>
Cash and Cash Equivalents End of Year	<u>\$ 298,295</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES**

Operating Loss	\$ (160,425)
----------------	--------------

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH**

Depreciation	5,600
Changes in Assets and Liabilities:	
Accounts Receivable	(175)
State Funding Receivable	4,286
Receivable from Schools	(48)
Accounts Payable	2,694
Grant Funding Payable	8,009
Continuing Fees Payable	<u>(4,262)</u>
Net Cash Used in Operating Activities	<u>\$ (144,321)</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Life Skills Center of Northeast Ohio (the School) is a federal 501(c) (3), state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with LS Northeast, LLC, a Nevada limited liability company, for most of its functions. LS Northeast, LLC is a single member entity of WHLS of Ohio, LLC, and is the entity which the School's board interacts with regarding day-to-day operations (see note 9 for details).

The School was originally approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years from May 16, 2000 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with a new sponsor, Saint Aloysius Orphanage, to operate for a period from July 1, 2005 through June 30, 2010.

The School operates under a self-appointing, four-member Board of Directors (the Board). The School's Code of Regulations specify 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 Sponsor, 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 began operations in November 2003 and has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS, who provide services to 443 students. The Board also operates HOPE Academy Northcoast Campus, HOPE Academy Cuyahoga County Campus, HOPE Academy East Campus, and Life Skills Center of Lake Erie in the City of Cleveland, and the Life Skills Center of Summit County in the City of Akron.

**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. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The School does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2006. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. Cash and Cash Equivalents**

All cash received by the School is maintained in a demand deposit account, certificates of deposit, and STAROhio. For purposes of the Statement of Cash Flows and for 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.

During fiscal year 2006, investments were limited to the State Treasurer's Investment Pool, STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Assets. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.



**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Intergovernmental Revenues (Continued)**

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2006 school year totaled \$3,409,700.

**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 \$13,533. Depreciation is computed by the straight-line method five to twenty years for "Leasehold Improvements".

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS. (See Note 9)

**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 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, and unrestricted net assets.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all School deposits was \$111,149. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$11,149 of the School's bank balance of \$111,149 was exposed to custodial risk as discussed below, while \$100,000 of the bank balance was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**B. Investments**

As of June 30, 2006, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>Greater than 12 months</u>
STAROhio	\$187,146	\$187,146	\$ -	\$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAROhio an AAAM money market rating.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$187,146	100.00

**4. STATE FUNDING RECEIVABLE**

The School has also recognized on its Statement of Net Assets a "State Funding Receivable" for the amount of State Aid directly related to FTE, estimated to be paid to the School by the Ohio Department of Education (ODE) based on the difference in the amount the School actually received versus the amount earned through student FTE enrollment as determined at the end of the year. A receivable reflects that the School was funded on a lower estimated enrollment figure throughout the year than what the actual FTE enrollment figure was calculated to be at year-end. At June 30, 2006, the amount of "State Funding Receivable" was \$5,390.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. CONTINUING FEES PAYABLE**

Under the terms of the management agreement with WHLS (See Note 9), a related "Continuing Fees Payable" in the amount of \$5,121 has been recorded by the School for 95 percent of the amount of "State Funding Receivable" due from the State. (See Note 4)

**6. GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded "Grants Funding Receivable" in the amount of \$129,256 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2006.

Additionally, under the terms of the management agreement (See Note 9), the School has recorded a liability to WHLS in the amount of \$182,738 for 100 percent of any State and Federal monies uncollected or unpaid to WHLS as of June 30, 2006.

**7. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2006, the School's capital assets consisted of the following:

<b>Capital Assets Being Depreciated</b>	Balance <u>06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/06</u>
Leasehold Improvements	\$ 56,000	\$ -	\$ -	\$ 56,000
Less: Accumulated Depreciation	<u>(7,933)</u>	<u>(5,600)</u>	<u>-</u>	<u>(13,533)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<b><u>\$ 48,067</u></b>	<b><u>\$ (5,600)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 42,467</u></b>

**8. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years. (See Note 9)

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

**9. AGREEMENT WITH WHLS**

Effective November 1, 2005, the School entered into a multi-year Management Agreement (Agreement) with WHLS (through its subsidiary LS Northeast Ohio, LLC), which is an educational consulting and management company. The Agreement's term runs through June 30, 2007 and will renew for additional one year terms ending on June 30, 2010 unless terminated for cause by either party. 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 day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 95 percent. "Continuing Fees" are defined in the Agreement as, "...the revenue per student received by the School from the State of Ohio Department of Education pursuant to Title 33 and other provisions of the Ohio Revised Code...". With regard to grant funding, the agreement reads as follows: "Federal Title Programs, lunch programs revenue, and other such federal, state and local government grant funding designated." The continuing fee is paid to WHLS based on the

**9. AGREEMENT WITH WHLS (Continued)**

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

previous month's qualified gross revenues to compensate the school for the education of its students shall be fully paid to the Company". As such, WHLS receives 95 percent of "State Aid" (see note 2 E) and 100 percent of all other federal, state, and local grants. The School retains 5 percent of the "State Aid" as well as miscellaneous revenues generated from interest on deposits and donations.

The School had purchased service expenses for the year ended June 30, 2006, to WHLS of \$3,278,804 and payables to WHLS at June 30, 2006 aggregating \$187,859. 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.

**10. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2006, White Hat Ventures, LLC and its affiliates incurred the following expenses on behalf of the School.

	<b>2006</b>
<b>Expenses</b>	
<b>Direct Expenses:</b>	
Salaries & wages	\$ 908,385
Employees' benefits	231,875
Professional & technical services	282,139
Property services	370,383
Travel	6,934
Communications	30,547
Utilities	40,407
Books, periodicals, & films	15,291
Other supplies	189,415
Depreciation	213,009
Other direct costs	192,510
<b>Indirect Expenses:</b>	
Overhead	737,736
 <b>Total Expenses</b>	 <b>\$ 3,218,631</b>

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS**

The School has contracted with WHLS to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below (See Note 9)

**A. School Employees Retirement System**

WHLS, on behalf of the School, contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the years ended June 30, 2006, 2005, and 2004 were \$20,602, \$28,507 and \$8,179, respectively, of which 100 percent has been contributed.

**B. State Teachers Retirement System**

WHLS, on behalf of the School, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service that becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for fiscal years ended June 30, 2006, 2005 and 2004 were \$91,202, \$74,569, and \$44,121, respectively, of which 100 percent has been contributed.

**12. POSTEMPLOYMENT BENEFITS**

WHLS, on behalf of the School, provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$7,016 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School paid \$9,685 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants eligible to receive health care benefits.

**13. CONTINGENCES**

**A. 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 which 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.

**B. Pending Litigation**

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the School is not presently determinable.

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments as of June 30, 2006 are described in Note 4. However, in the opinion of the School, any future adjustments will not have a material adverse effect on the financial position of the School.

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**15. FEDERAL TAX STATUS**

In August 2004 the School filed its application for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. In the interim, the School has begun the process to file IRS Form 990, "Return of Organization Exempt from Income Tax".

**16. SPONSORSHIP FEES**

The School contracted with Saint Aloysius Orphanage as its sponsor effective July 1, 2005. The School pays the Sponsor one-half percent of State Aid. Total fees for fiscal 2006 were \$16,354. The contract is for five years ending June 30, 2010. The Sponsor is to provide oversight, monitoring, and technical assistance for the school.

**17. RECEIVABLES/PAYABLES FROM SCHOOLS**

As described in note 1, this School has common board members with other Hope Academies and Life Skills Centers. These Board members typically have common costs that are to be shared between the schools. As of June 30, 2006, the School has \$48 due from other schools (receivable).

**18. SUBSEQUENT EVENTS**

During fiscal year 2007, the Ohio Legislature passed H.B 79 which modified certain provisions of the charter school statute. On March 28, 2007, the School initiated a lawsuit in Franklin County challenging the legality of certain provisions of H.B. 79. The effects of this lawsuit are presently not determinable.

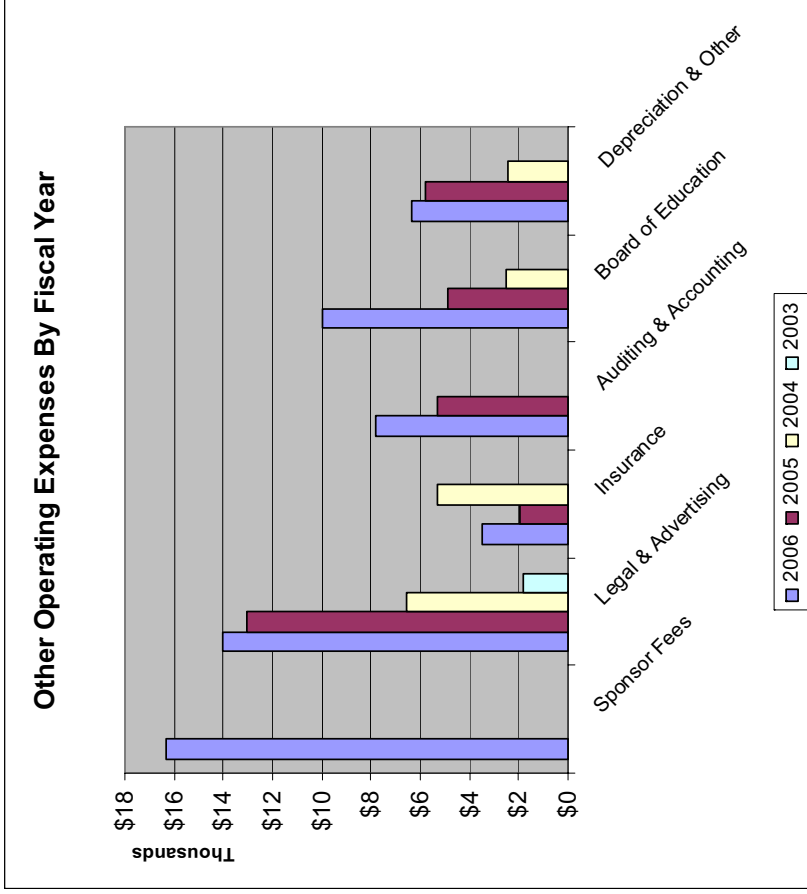
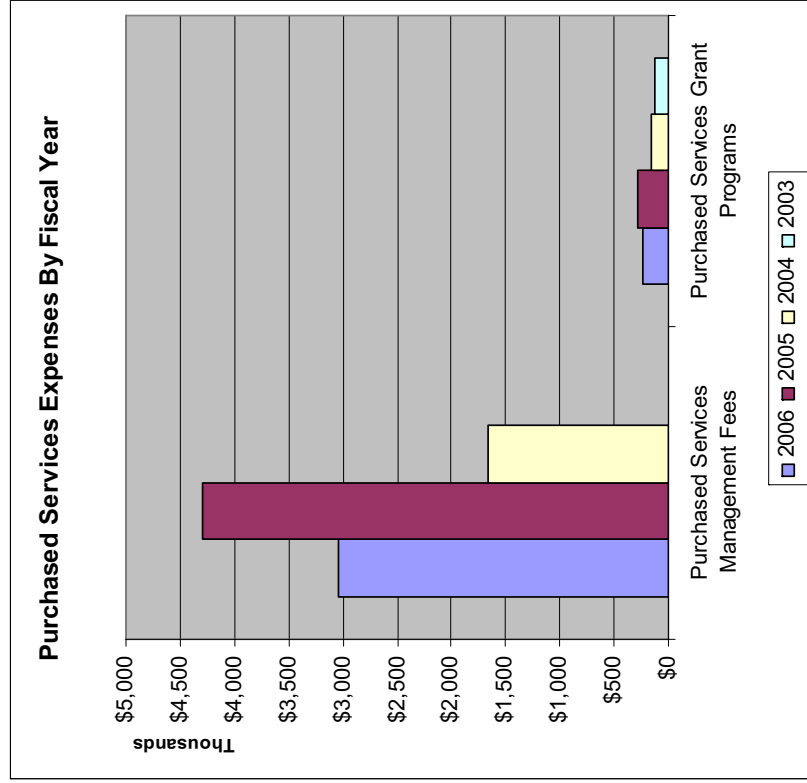


# Statistical Section

**This page intentionally left blank.**

**Life Skills Center of Northeast Ohio  
Operating Expenses by Category  
Last Four Fiscal Years**

Year	Purchased Services Management Fees	Purchased Services Grant Programs	Sponsor Fees	Legal & Advertising	Insurance	Auditing & Accounting	Board of Education	Depreciation & Other	Total	Enrollment	Per Pupil Expense
2006	\$ 3,045,508	\$ 233,296	\$16,354	\$14,010	\$ 3,503	\$ 7,813	\$ 9,989	\$ 6,356	\$ 3,336,829	443	\$ 7,532
2005	\$ 4,300,673	\$ 284,666	\$ -	\$13,022	\$ 1,980	\$ 5,277	\$ 4,877	\$ 5,804	\$ 4,616,299	590	\$ 7,824
2004	\$ 1,668,280	\$ 150,000	\$ -	\$ 6,546	\$ 5,327	\$ -	\$ 2,518	\$ 2,462	\$ 1,835,133	261	\$ 7,031
2003	\$ -	\$ 119,700	\$ -	\$ 1,795	\$ -	\$ -	\$ -	\$ -	\$ 121,495	-	NA

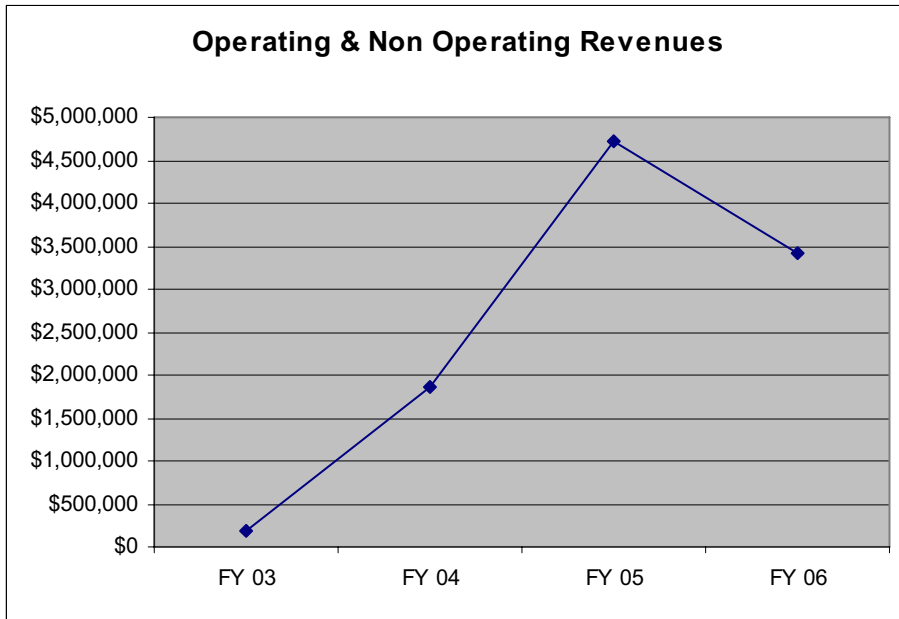


Note: The School began enrolling students in FY 04.

Source: School Financial Records

Life Skills Center of Northeast Ohio  
 Operating and Non-Operating Revenues  
 Last Four Fiscal Years

<b>Year</b>	<b>State Aid</b>	<b>Grants</b>	<b>Other</b>	<b>Total</b>
2006	\$ 3,176,404	\$ 233,296	\$ 13,491	<b>\$ 3,423,191</b>
2005	\$ 4,433,684	\$ 284,666	\$ 4,033	<b>\$ 4,722,383</b>
2004	\$ 1,719,876	\$ 150,000	\$ 837	<b>\$ 1,870,713</b>
2003	\$ -	\$ 175,700	\$ -	<b>\$ 175,700</b>



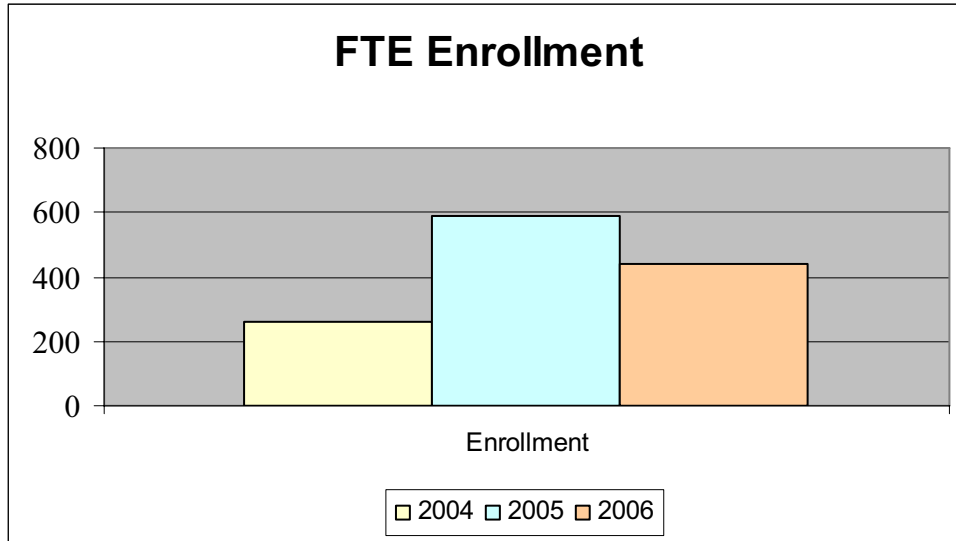
**Note: The School began enrolling students in FY 04.**

**Source: School Financial Records**

Life Skills Center of Northeast Ohio  
Full-Time Equivalent (FTE) Enrollment  
Last Three Fiscal Years

---

<u>Year</u>	<u>Enrollment</u>
2006	443
2005	590
2004	261

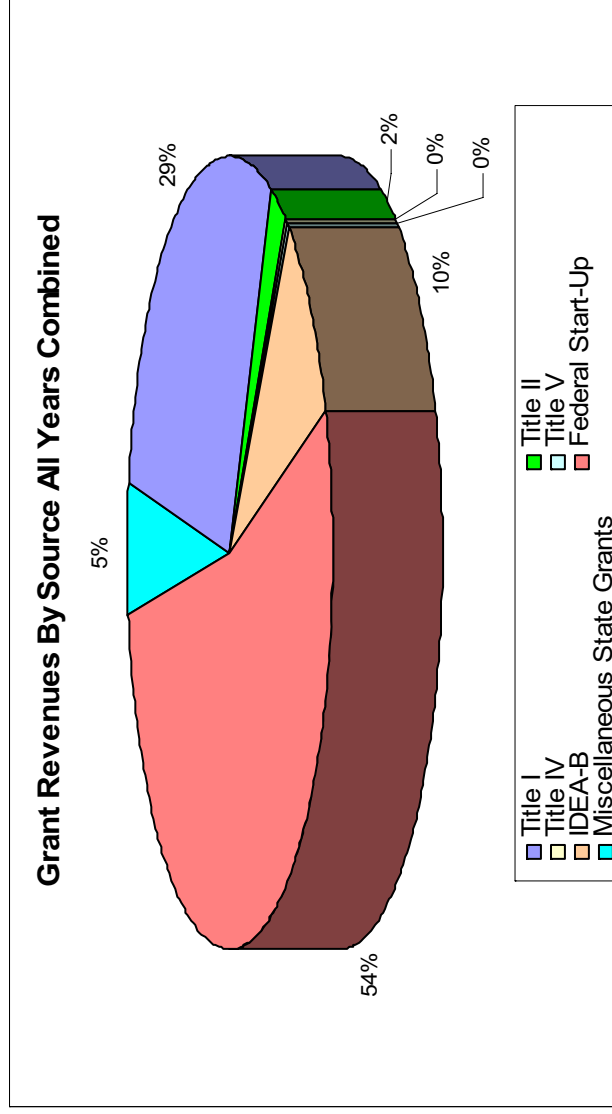


**Note: The School began enrolling students in FY 04.**

**Source: School Financial Records**

Life Skills Center of Northeast Ohio  
Grant Revenues by Source  
Last Four Fiscal Years

Year	Title I	Title II	Title IV	Title V	IDEA-B	Federal Start-Up	Miscellaneous State Grants	Total
2006	\$ 129,345	\$ 9,725	\$ 3,171	\$ 1,228	\$ 80,752	\$ -	\$ 9,075	\$ 233,296
2005	\$ 115,525	\$ 9,827	\$ -	\$ 289	\$ -	\$ 150,000	\$ 9,025	\$ 284,666
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 25,700	\$ 175,700

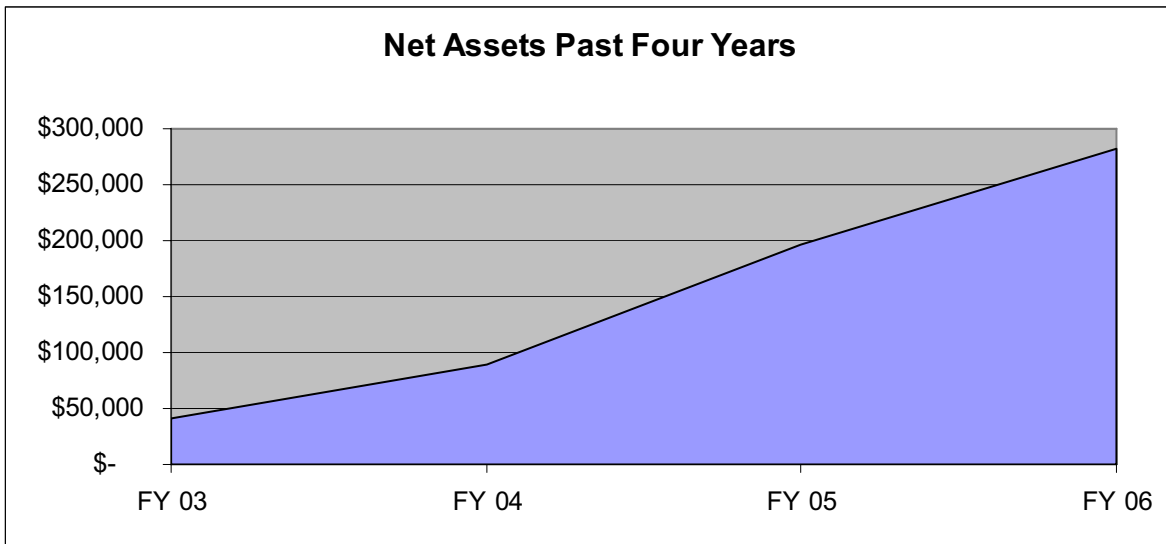


**Note: The School began enrolling students in FY 04.**

**Source: School Financial Records**

Life Skills Center of Northeast Ohio  
Net Assets  
Last Four Fiscal Years

Year	Invested in Capital Assets	Restricted For Grants	Unrestricted	Total	Change in Net Assets
2006	\$ 42,467	\$ -	\$ 239,764	\$ 282,231	\$ 86,362
2005	\$ 48,067	\$ -	\$ 147,802	\$ 195,869	\$ 106,084
2004	\$ 53,667	\$ -	\$ 36,118	\$ 89,785	\$ 49,480
2003	\$ -	\$ 13,900	\$ 40,305	\$ 54,205	\$ 54,205



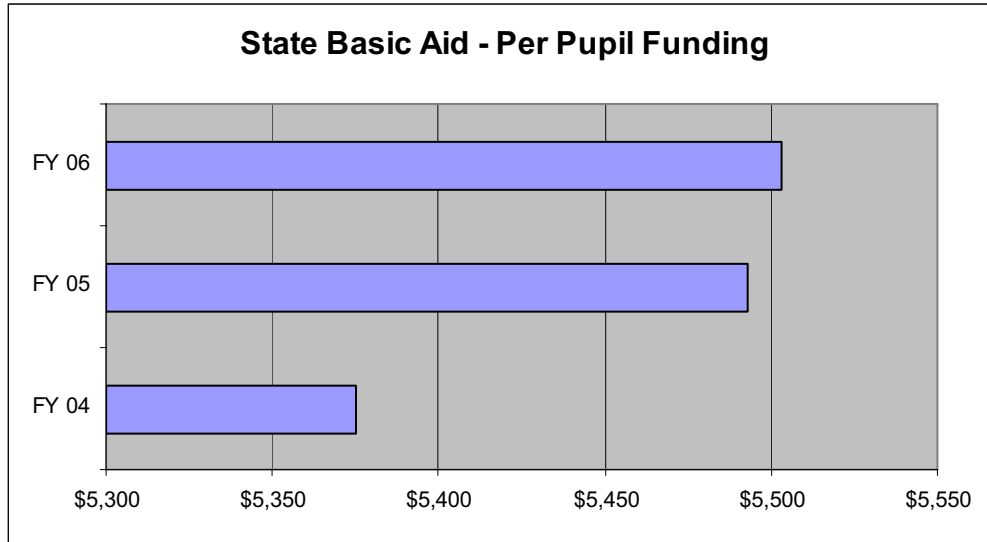
**Note: The School began enrolling students in FY 04.**

**Source: School Financial Records**

Life Skills Center of Northeast Ohio  
 State Basic Aid – Per Pupil Funding Amount  
 Last Three Fiscal Years

---

Year	Per Pupil Funding	Cost of Doing Business	Total Per Pupil
2006	\$ 5,283	1.0417	\$ 5,503
2005	\$ 5,169	1.0626	\$ 5,493
2004	\$ 5,058	1.0626	\$ 5,375



**Note 1: In addition to the above, The School also receives other sources of State Aid including Career Based Intervention Funding, Disadvantaged Pupil Impact Aid, Parity Aid, and Special Education funding. The revenues have collectively been identified on the Statement of Revenues, Expenses, and Changes in Net Assets as “State Aid”.**

**The Cost of Doing Business Factors are determined by the State of Ohio and vary by region.**

**Note 2: The School began enrolling students in FY 04.**

**Source: Ohio Department of Education**



Life Skills Center of Northeast Ohio  
Student Population by Resident District  
2006 Fiscal Year

---

<u>Resident District</u>	<u>%</u>
Bedford	1.47%
Cleveland Heights	4.19%
Cleveland	79.03%
East Cleveland	2.58%
Garfield Heights	1.16%
Maple Heights	3.45%
Shaker Heights	3.53%
Warrensville Heights	3.08%
All Other Districts	1.51%

**Note:** The school has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

Districts representing less than 1 percent of the student population are combined under the heading "All Other Districts".

**Source:** Ohio Department of Education

Life Skills Center of Northeast Ohio  
Miscellaneous Statistics

---

**School Address:** 12201 Larchmere Boulevard  
Cleveland, Ohio 44120

**Square Footage:** 18,683 sq. ft.

**Date of Incorporation:** 02/22/2002

**Instructional Staff:** 21

**Total FY 06 Staff:** 39



**Note: All Staff are employees of WHLS of Ohio, LLC. See Note 9 in Notes to the Basic Financial Statements.**

**Instructional Staff/:** 21:1  
**Student Ratio**

**Number of Graduates since inception:** 126

**Percent of Low Income Students:** 35.07%



**Mary Taylor, CPA**  
Auditor of State

**LIFE SKILLS CENTER OF NORTHEAST OHIO  
CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2007**