

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



Life Skills Center of Middletown

Middletown, Ohio

**Life Skills Center of Middletown
Middletown, Ohio**

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2012**

Prepared by Brian G. Adams MBA, CMA, CFM, CrFA

**LIFE SKILLS CENTER OF MIDDLETOWN
 BUTLER COUNTY, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2012**

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Introductory Section

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Middletown, Ohio 45044

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www.lifeskillscenters.com

December 12, 2012

Life Skills Center of Middletown
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Life Skills Center of Middletown (the School) for the fiscal year ended June 30, 2012. 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, an organizational chart, and GFOA Certificate of Achievement.

Financial Section The Financial Section consists of the Independent Auditor's 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 of internal controls 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). Rea & Associates, Inc. rendered an opinion on the School's financial statements as of June 30, 2012, and the Independent Auditor's 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 Auditor's Report and provides an assessment of the School's finances for fiscal year 2012 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, 2010, the School entered into a contract with a sponsor, St. Aloysius Orphanage. St. Aloysius Orphanage provides oversight and advisory services to 46 community schools throughout the State serving over 10,000 children.

Life Skills Center of Middletown 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). The School, which first opened its doors in September 2001 in Middletown, Ohio, is run by a seven member Board of Directors.

The School looks to its ten-year history of consistently graduating students from its program twice a year as a measure of its success. The School has contracted with LS Middletown, 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 operates 33 schools in three states under the auspices of three separate educational ventures. 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. 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 Middletown 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 Middletown) receives only \$9,107 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 7 for a full description of services provided by the Company).

As discussed later, the School was funded on 204 full-time equivalent students for fiscal year 2012. 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 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 8 to the basic financial statements under the Financial Section includes the required information for fiscal year ended June 30, 2012.

Awards and Acknowledgements

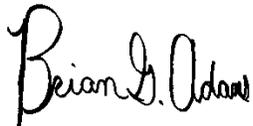
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Life Skills Center of Middletown for its CAFR for the year ended June 30, 2011. The School has received the award annually since 2004. The 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. Hale 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 Middletown



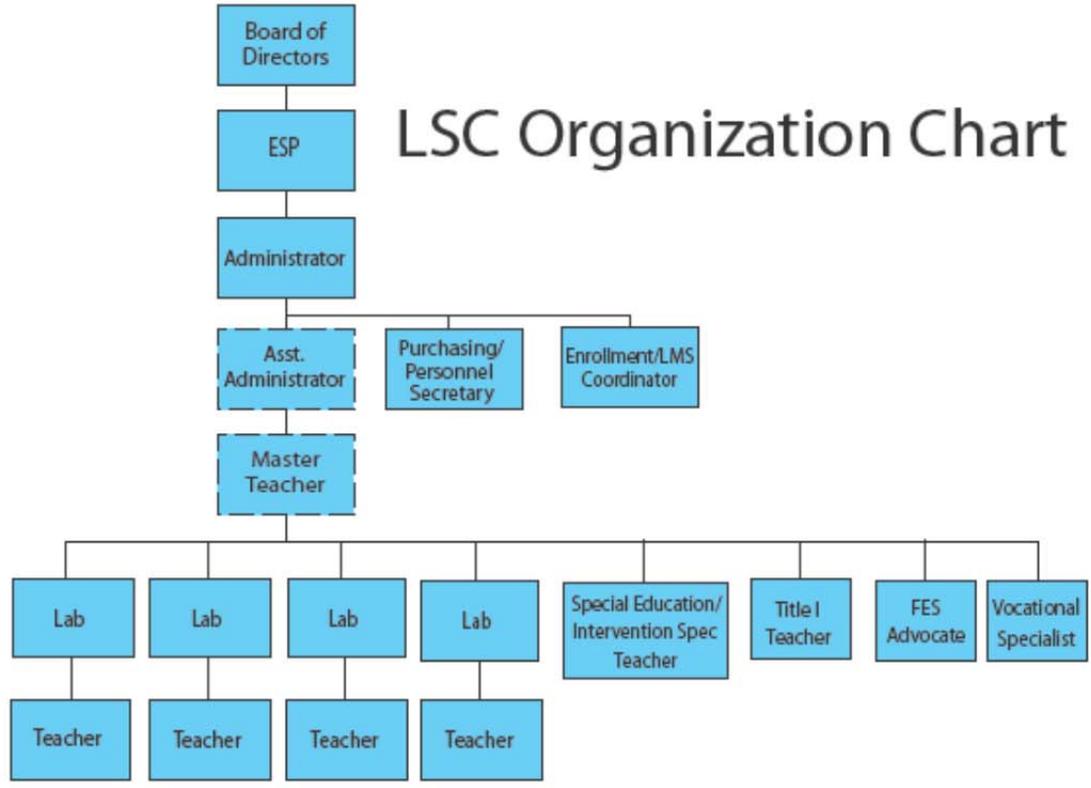
Rodney Hale
President, Board of Directors
Life Skills Center of Middletown

Life Skills Center of Middletown
Board of Directors
June 30, 2012

Rodney Hale	Board President
Fredrick Shuemaker	Board Member
Deborah Dorsey	Board Member
Robert McIntosh	Board Member
Sharon Green	Board Member
Nicole Barnes	Board Member
Bridgette Stephenson	Board Member



LSC Organization Chart



 Optional Based on School Size

Education that fits your life

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Life Skills Center
of Middletown, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

Financial Section

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December 12, 2012

To the Board of Directors
Life Skills Center of Middletown
631 South Breiel Blvd.
Middletown, OH 45044

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Life Skills Center of Middletown, Butler County, Ohio (the School), as of and for the year ended June 30, 2012, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School, as of June 30, 2012, and the respective changes in financial position and 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 December 12, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Rea & Associates, Inc.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)**

The discussion and analysis of the Life Skills Center of Middletown's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. 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 \$4,683, which represents a 2.1 percent increase from 2011. The increase is due to increased cash and receivables.
- Total assets increased \$13,165, which represents a 4.9 percent increase from 2011. This was primarily due to a increase in grants receivables from the previous year.
- Liabilities increased \$8,482, which represents a 17.6 percent increase from 2011. The increase in liabilities is a direct result of the increase in Grants Funding Payable.

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 2012. This statement includes all assets and liabilities, both financial and capital, as well as 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 MIDDLETOWN
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)**

Table 1 provides a summary of the School's net assets for fiscal years 2012 and 2011.

(Table 1)
Statement of Net Assets

	2012	2011
Assets		
Current Assets	<u>\$282,357</u>	<u>\$269,192</u>
Total Assets	<u>282,357</u>	<u>269,192</u>
Liabilities		
Current Liabilities	<u>56,615</u>	<u>48,133</u>
Total Liabilities	<u>56,615</u>	<u>48,133</u>
Net Assets		
Unrestricted	<u>225,742</u>	<u>221,059</u>
Total Net Assets	<u>\$225,742</u>	<u>\$221,059</u>

Total assets increased \$13,165, which represents a 4.9 percent increase from 2011. This was primarily due to a increase in cash and cash equivalents from the previous year. Liabilities increased \$8,482, which represents a 17.6 percent increase from 2011. The increase in liabilities is a direct result of the increase in Grants Funding Payable. 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 2012 and 2011, 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 and 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 MIDDLETOWN
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)**

(Table 2)
Change in Net Assets

	<u>2012</u>	<u>2011</u>
Operating Revenues		
State Aid	\$1,588,856	\$1,603,889
Non-Operating Revenue		
Grants	267,916	487,087
Interest Income	<u>991</u>	<u>1,813</u>
Total Revenues	<u>1,857,763</u>	<u>2,092,789</u>
Operating Expenses		
Purchased Services: Management Fees	1,474,715	1,500,496
Purchased Services: Grant Programs	242,856	420,317
Supplemental Education Services	4,733	90,890
Instructional Services	25,059	66,770
Sponsorship Fees	48,242	47,550
Legal	13,628	15,220
Auditing & Accounting	26,232	24,865
Insurance	1,283	1,309
Board of Education	12,570	6,470
Miscellaneous	<u>3,762</u>	<u>3,873</u>
Total Expenses	<u>1,853,080</u>	<u>2,177,760</u>
Change in Net Assets	<u>\$ 4,683</u>	<u>\$ (84,971)</u>

Overall revenues from 2011 to 2012 decreased due to the decrease in enrollment. Enrollment declined from 233 in fiscal year 2011 to 204 in 2012. The School's most significant expenses, "Purchased Services- Management Fees" 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 7). This decrease is due to the foundations and grant receipts.

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 prescribe a budgetary process. The School has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Directors. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)**

Capital Assets

At the end of fiscal year 2012, the School had no capital assets.

Current Financial Issues

The Life Skills Center of Middletown received revenue for 204 students in 2012 (a decrease from 2011 of 29 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 \$7,789 in fiscal year 2012. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. In June 2010, the School extended its contract with SAO through June 30, 2013. SAO was paid two percent (2%) for the time period of July 1, 2010, through June 30, 2011, two and a half percent (2.5%) for the time period of July 1, 2011, through June 30, 2012, and three percent (3%) for the remainder of the contractual period of all funds received by the School from the State of Ohio.

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 Middletown, 65 E. Wilson Bridge Road, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 239,641
Grants Receivable	<u>42,716</u>
Total Current Assets	<u>282,375</u>
Total Assets	<u>282,357</u>

LIABILITIES

Current Liabilities

Accounts Payable	2,460
Grants Funding Payable	52,362
Continuing Fees Payable	1,548
Payable to Schools	<u>245</u>
Total Current Liabilities	<u>56,615</u>
Total Liabilities	<u>56,615</u>

Net Assets

Unrestricted	<u>225,742</u>
Total Net Assets	<u>\$ 225,742</u>

See accompanying notes to the basic financial statements

**LIFE SKILLS CENTER OF MIDDLETOWN
 BUTLER COUNTY, OHIO
 STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

State Aid \$1,588,856

OPERATING EXPENSES

Purchased Services: Management Fees	1,474,715
Purchased Services: Grant Programs	242,856
Supplemental Education Services	4,733
Instructional Services	25,059
Sponsorship Fees	48,242
Legal	13,628
Auditing and Accounting	26,232
Insurance	1,283
Board of Education	12,570
Miscellaneous	3,762

Total Operating Expenses 1,853,080

Operating Loss (264,224)

NON-OPERATING REVENUE/(EXPENSES)

Grants	267,916
Interest Income	<u>991</u>

Total Non-Operating Revenue/(Expenses) 268,907

Change in Net Assets 4,683

Net Assets Beginning of Year 221,059

Net Assets End of Year \$ 225,742

See accompanying notes to the basic financial statements.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State of Ohio	\$ 1,608,766
Cash Payments to Suppliers for Goods and Services	<u>(1,843,427)</u>

Net Cash Used For Operating Activities	<u>(234,661)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grant Programs	<u>252,282</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Received for Notes Receivable	<u>19,202</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	<u>991</u>
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Net Increase in Cash and Cash Equivalents	37,814
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Cash and Cash Equivalents Beginning of Year	<u>201,827</u>
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Cash and Cash Equivalents End of Year	<u>\$ 239,641</u>
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RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED USED FOR OPERATING ACTIVITIES

Operating Loss	(264,224)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Changes in Assets and Liabilities:

State Funding Receivable	19,910
Receivable from School	1,171
Accounts Payable	1,509
Grants Funding Payable	24,109
Continuing Fees Payable	(17,167)
Payable to Schools	<u>31</u>

Net Cash Used For Operating Activities	<u>\$ (234,661)</u>
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See accompanying notes to the basic financial statements

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**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center of Middletown (the School) is a 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 Middletown, LLC, a Nevada limited liability company, for most of its functions. WHLS of Ohio, LLC, a Nevada limited liability company ("WHLS") d/b/a White Hat Management Company, is the sole member of LS Middletown, LLC and is the entity with which the School's board interacts regarding day-to-day operations (see note 7 for details).

The School was originally approved for operation under contract with the Ohio State Board of Education 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 sponsor, Saint Aloysius Orphanage (SAO), to operate for a period from July 1, 2005, through June 30, 2010. In June 2010, the School extended its contract with SAO through June 30, 2013.

The School operates under a self-appointing, seven-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 include, but are 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 September 2001 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 204 students. The Board also operates and serves on the Life Skills Center of Springfield in the City of Springfield.

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 MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(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 2012. 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, money market account, 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. Investments with an initial maturity of more than three months are reported as "Investments."

During fiscal year 2012, 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, 2012.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 received under the above programs for the 2012 school year totaled \$1,856,772.

F. Capital Assets and Depreciation

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

For fiscal year 2012, the Schools' capital assets were fully depreciated. The School's capital assets consisted of computers and software with a cost of \$14,520, which are fully depreciated, with no salvage value, for fiscal year 2012. Depreciation is computed by the straight-line method three years for "Computers and Software."

The School has no other capital assets, as the School operates under a management agreement with WHLS (See Note 7).

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 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 MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all School deposits was \$228,130 and its bank balance was \$228,130. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, all of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

The investment and deposit of the School's monies is governed by the provisions of the ORC. In accordance with these statutes, the School is authorized to invest in United States and State of Ohio bonds, notes, and other obligations, bank certificates of deposit, and STAR Ohio.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposits. 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. State law does not require security for public deposits and investments to be maintained in the School's name. During 2012, the School and public depositories complied with the provisions of these statutes.

B. Investments

As of June 30, 2012, 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	\$11,511	\$11,511	\$ -	\$ -

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: The School's investments at June 30, 2012, in StarOhio are rated AAA by Standard & Poor's. Investments in Star Ohio are rated AAAM by Standard & Poor's. The weighted average maturity of the portfolio held by StarOhio as of June 30, 2012 is 53 days.

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, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$11,511	100.00

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

4. CONTINUING FEES PAYABLE

A "Continuing Fees Payable" to WHLS has been recorded by the School in the amount of \$1,548. The balance was due to the FTE audit performed by the Ohio Department of Education (ODE) during fiscal year 2011. (see note 11)

5. GRANTS FUNDING RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of \$42,716 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2012. Additionally, under the terms of the management agreement (See Note 7), the School has recorded "Grants Funding Payable" to WHLS in the amount of \$52,362 for 100 percent of any State and Federal monies uncollected and/or unpaid to WHLS as of June 30, 2012.

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts, theft, damage to, or 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 (See Note 7). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$2,500 deductible.

7. AGREEMENT WITH WHLS

Effective November 1, 2005, the School entered into a multi-year Management Agreement (Agreement) with WHLS (through its subsidiary LS Middletown, LLC), which is an educational consulting and management company. The Agreement's term ran through June 30, 2008, was renewed for a one year term ending June 30, 2010, and will renew for additional one year terms ending on June 30, 2012, unless terminated for cause by either party. In June 2010, the school signed a new 3-year agreement for services. 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 94 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 to compensate the school for the education of its students shall be fully paid to the Company." The continuing fee is paid to WHLS based on the previous month's qualified gross revenues. As such, WHLS receives 94 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, 2012, to WHLS of \$1,717,571, and payables to WHLS at June 30, 2012, aggregating \$52,362. WHLS is 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.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

8. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2012, White Hat Ventures, LLC and its affiliates incurred the following expenses on-behalf of the School.

	2012
Expenses	
Direct Expenses:	
Salaries & wages	\$ 552,294
Employees' benefits	160,296
Professional & technical services	244,911
Property services	204,010
Travel	930
Communications	12,050
Utilities	47,461
Food & Related Supplies	46,756
Other supplies	94,881
Depreciation	19,313
Other direct costs	59,506
Indirect Expenses:	
Overhead	360,340
Total Expenses	\$ 1,802,748

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.

9. 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 7)

A. School Employees Retirement System

Plan Description - WHLS, on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System

posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the The School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund) of the System. For the fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the School contributions to SERS for the year ended June 30, 2012, 2011, and 2010, were \$7,532, \$7,698, and \$10,477, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description – 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at 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's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who 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.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Funding Policy - For the fiscal year ended June 30, 2012, 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 2011, 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.

This is the latest information available.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$64,088, \$80,414, and \$82,940, respectively, of which 100% has been contributed. .

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

10. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

In addition to a cost-sharing multiple employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal 2012, the actuarial required allocation is .75 percent. WHLS contributions for the years ended June 30, 2012, 2011, and 2010, were \$445, \$495, and \$623, respectively, of which 100% has been contributed.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (Continued)

HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with, the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2012, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Schools' contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010, were \$1,764, \$1,634, and \$1,795, respectively, of which 100% has been contributed.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under **Employers/Audit Resources**.

B. State Teachers Retirement System

Plan Description – WHLS, on behalf of the School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$4,930, \$6,186, and \$6,380, respectively; all of which has been contributed for all fiscal years.

11. 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. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2011-2012 school year. The adjustments for FTE did not have a material effect on the accompanying financial statements presented.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

12. FEDERAL TAX STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**LIFE SKILLS CENTER OF MIDDLETOWN
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

13. SPONSORSHIP FEES

The School contracted with Saint Aloysius Orphanage as its sponsor effective July 1, 2005. The School pays the Sponsor three percent of the State Aid. Total fees for fiscal year 2012 were \$48,242. The Sponsor provides oversight, monitoring, and technical assistance for the School.

In June 2010, the School extended its contract with SAO through June 30, 2013. SAO will be paid two percent (2%) for the time period of July 1, 2010, through June 30, 2011, two and a half percent (2.5%) for the time period of July 1, 2011, through June 30, 2012, and three percent (3%) for the remainder of the contractual period of all funds received by the School from the State of Ohio.

14. PAYABLES TO SCHOOLS

The School shares costs for certain professional services other Hope Academies and Life Skills Centers. As of June 30, 2012, the School has \$245 (payable) for various payments made for these services.

15. NOTE RECEIVABLE

The School made a loan to New Choices Community School in Dayton Ohio to assist them with meeting their operating obligations. Terms of the loan were Principal amount of \$38,000 and an interest rate of 4.5% per annum. The Loan was to be paid in 12 equal installments of \$3,204 beginning in December of 2010. The balance outstanding at June 30, 2011 was \$19,202. The full amount has been repaid as of June 30, 2012.

Statistical Section

STATISTICAL SECTION

This part of the **Life Skills Center Middletown's** comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the School's overall financial health. This school has presented ten years of statistical data.

Contents

Financial Trends

This schedule contains trend information to help the reader understand how the School's overall expenses by class compared with the expenditure per pupil have changed over time.

- Operating Expenses by Category
- State Basic Aid – Per Pupil Funding

Revenue Capacity

This schedule contains information to help the reader assess the affordability of the School's most significant revenue sources the state aid and grants.

- Operating and Non-Operating Revenues

Enrollment Trends

This schedule contains information to help the reader understand the changes in enrollment over time.

- Full-Time Equivalent (FTE) Enrollment

Revenue by Grants Sources

This schedule contains information to help the reader understand the changes in revenues by grant source.

- Grant Revenues by Source

Net Assets Trends

This schedule offers information to help the reader understand the funds invested in capital assets versus the unrestricted funds remaining for future expenditures.

- Net Assets

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.

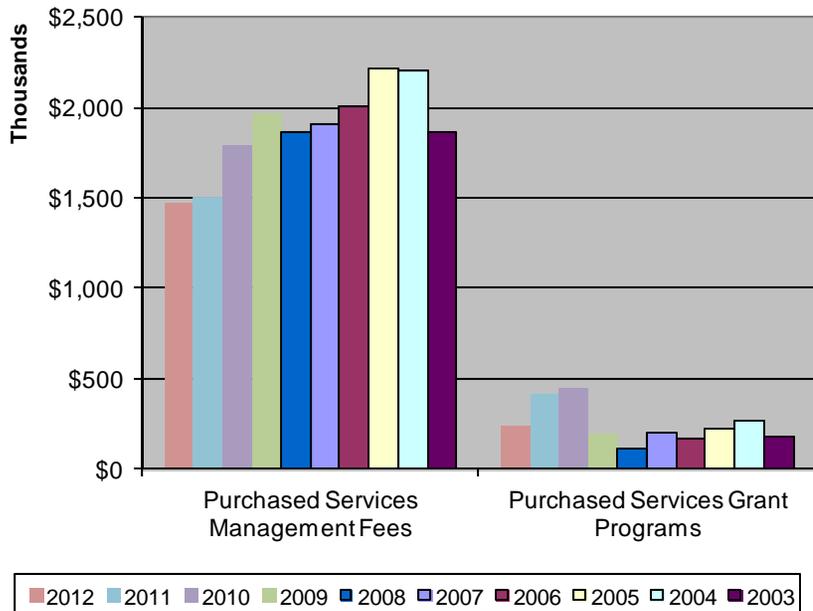
- Student Population by Resident District
- Miscellaneous Statistics

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School implemented GASB Statement 34 for the year ended June 30, 2004.

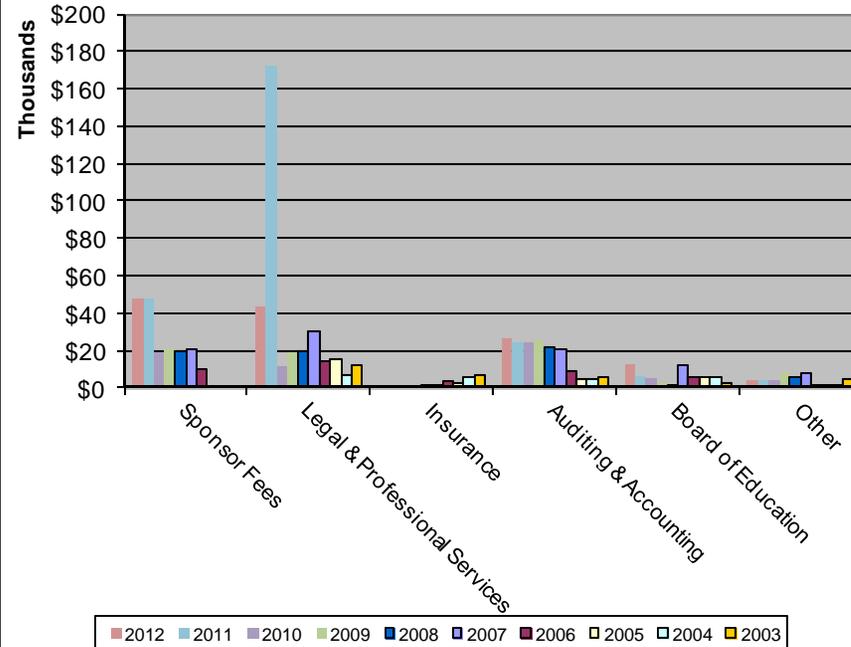
Life Skills Center of Middletown
Operating Expenses by Category
Last Ten Fiscal Years

Year	Purchased Services Management Fees	Purchased Services Grant Programs	Sponsor Fees	Legal & Professional Services	Insurance	Auditing & Accounting	Board of Education	Other	Total	Enrollment	Per Pupil Expenditure
2012	\$1,474,715	\$ 242,856	\$48,242	\$ 43,420	\$ 1,283	\$ 26,232	\$ 12,570	\$3,762	\$1,853,080	204	\$ 9,084
2011	\$1,500,496	\$ 420,317	\$47,550	\$172,880	\$ 1,309	\$ 24,865	\$ 6,470	\$3,873	\$2,177,760	233	\$ 9,347
2010	\$1,795,210	\$ 450,272	\$18,922	\$ 11,069	\$ 1,292	\$ 23,946	\$ 4,751	\$3,943	\$2,309,405	268	\$ 8,617
2009	\$1,965,015	\$ 199,303	\$20,652	\$ 19,534	\$ 1,462	\$ 25,253	\$ 2,753	\$8,285	\$2,242,257	272	\$ 8,244
2008	\$1,864,095	\$ 117,974	\$19,622	\$ 19,542	\$ 1,390	\$ 21,654	\$ 582	\$5,542	\$2,050,401	280	\$ 7,323
2007	\$1,912,774	\$ 195,769	\$20,488	\$ 30,213	\$ 1,390	\$ 20,265	\$ 11,996	\$8,361	\$2,201,256	283	\$ 7,778
2006	\$2,004,354	\$ 166,945	\$10,200	\$ 14,171	\$ 3,503	\$ 9,239	\$ 5,851	\$1,078	\$2,215,341	304	\$ 7,287
2005	\$2,217,971	\$ 226,213	\$ -	\$ 15,440	\$ 2,552	\$ 5,124	\$ 5,796	\$ 436	\$2,473,532	321	\$ 7,706
2004	\$2,205,411	\$ 265,017	\$ -	\$ 6,849	\$ 5,692	\$ 5,145	\$ 5,671	\$ 499	\$2,494,284	354	\$ 7,046
2003	\$1,867,339	\$ 181,070	\$ -	\$ 11,916	\$ 6,300	\$ 5,500	\$ 2,563	\$4,309	\$2,078,997	307	\$ 6,772

Purchased Services Expenses By Fiscal Year



Other Operating Expenses by Fiscal Year

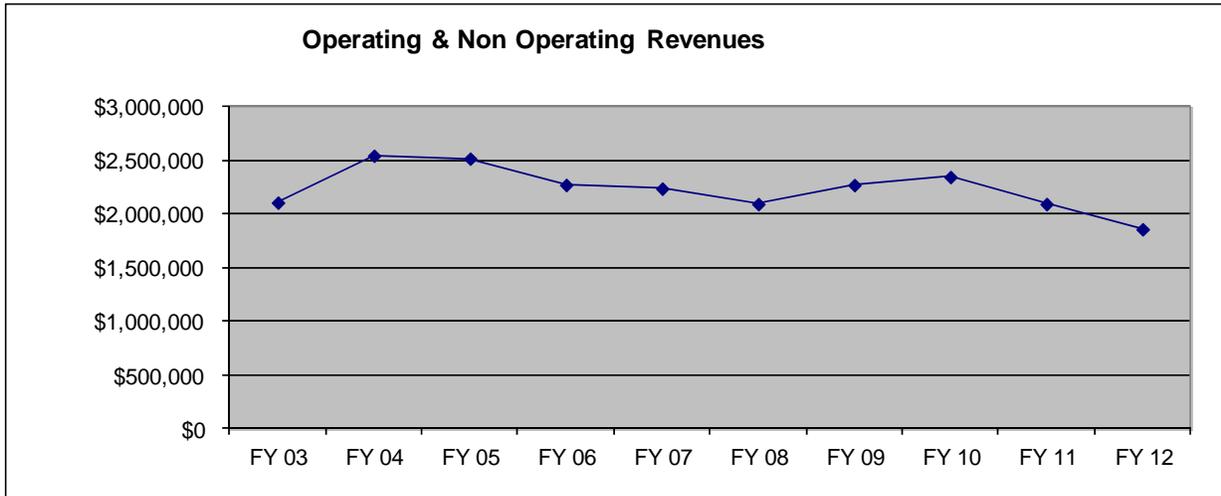


Note 1: The School began enrolling students in FY 02.

Source: School Financial Records

Life Skills Center of Middletown
Operating and Non-Operating Revenues
Last Ten Fiscal Years

Year	State Aid	Grants	Other	Total
2012	\$ 1,588,856	\$ 267,916	\$ 991	\$ 1,857,763
2011	\$ 1,603,889	\$ 487,087	\$ 1,813	\$ 2,092,789
2010	\$ 1,892,240	\$ 450,271	\$ 2,112	\$ 2,344,623
2009	\$ 2,065,279	\$ 199,303	\$ 4,704	\$ 2,269,286
2008	\$ 1,962,206	\$ 160,012	\$ 12,187	\$ 2,134,405
2007	\$ 2,013,446	\$ 210,288	\$ 12,432	\$ 2,236,166
2006	\$ 2,096,605	\$ 166,945	\$ 7,095	\$ 2,270,645
2005	\$ 2,286,563	\$ 226,213	\$ 2,859	\$ 2,515,635
2004	\$ 2,276,181	\$ 265,017	\$ 1,047	\$ 2,542,245
2003	\$ 1,925,091	\$ 181,070	\$ -	\$ 2,106,161

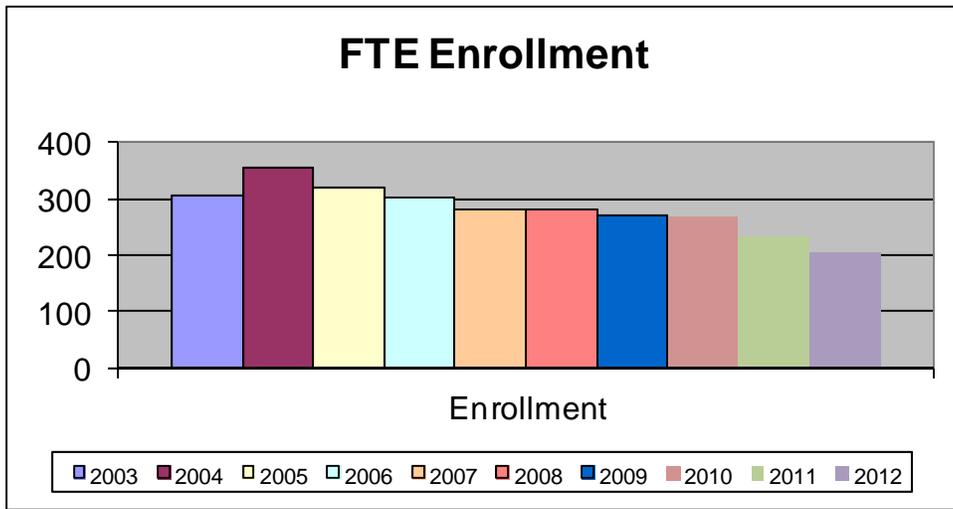


Note: The School began enrolling students in FY 02.

Source: School Financial Records

Life Skills Center of Middletown
Full-Time Equivalent (FTE) Enrollment
Last Ten Fiscal Years

<u>Year</u>	<u>Enrollment</u>
2012	204
2011	233
2010	268
2009	272
2008	280
2007	283
2006	304
2005	321
2004	354
2003	307



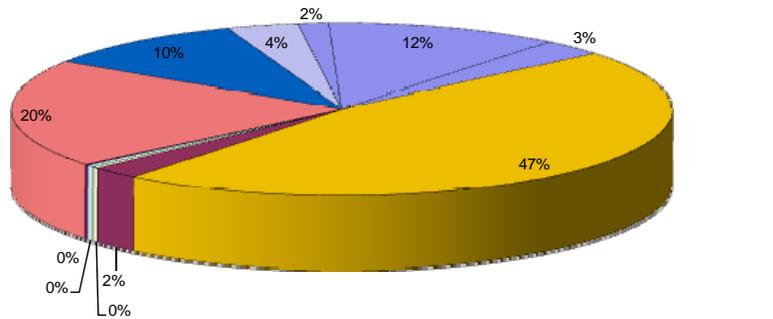
Note: The School began enrolling students in FY 02.

Source: School Financial Records

Life Skills Center of Middletown
Grant Revenues by Source
Last Ten Fiscal Years

Year	Title I	Title II	Title II	Title IV	Title V	IDEA-B	State Stabilization	Education Jobs	National School Lunch	Federal Start-Up	Miscellaneous State Grants	Total
2012	\$ 153,342	\$ 4,476	\$ -	\$ -	\$ -	\$ 51,236	\$ -	\$ 25,059	\$ 32,906	\$ -	\$ 897	\$ 267,916
2011	\$ 159,465	\$ 6,747	\$ -	\$ -	\$ -	\$ 107,611	\$ 135,323	\$ 66,770	\$ 6,583	\$ -	\$ 4,588	\$ 487,087
2010	\$ 254,076	\$ 7,380	\$ 969	\$ 741	\$ -	\$ 52,881	\$ 129,223	\$ -	\$ -	\$ -	\$ 5,001	\$ 450,271
2009	\$ 134,980	\$ 6,488	\$ 857	\$ 1,034	\$ 141	\$ 48,213	\$ -	\$ -	\$ -	\$ -	\$ 7,590	\$ 199,303
2008	\$ 83,398	\$ 7,148	\$ 941	\$ 1,671	\$ 440	\$ 61,414	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 160,012
2007	\$ 140,431	\$ 6,788	\$ 941	\$ 1,008	\$ 302	\$ 45,911	\$ -	\$ -	\$ -	\$ -	\$ 14,908	\$ 210,289
2006	\$ 90,325	\$ 4,637	\$ 734	\$ 2,357	\$ 468	\$ 59,349	\$ -	\$ -	\$ -	\$ -	\$ 9,075	\$ 166,945
2005	\$ 134,697	\$ 6,912	\$ 2,252	\$ 1,820	\$ 1,854	\$ 65,900	\$ -	\$ -	\$ -	\$ -	\$ 12,778	\$ 226,213
2004	\$ 59,316	\$ 5,044	\$ 1,606	\$ 1,143	\$ 598	\$ 33,876	\$ -	\$ -	\$ -	\$ 150,000	\$ 13,434	\$ 265,017
2003	\$ 15,334	\$ 6,717	\$ 454	\$ 500	\$ 566	\$ 1,165	\$ -	\$ -	\$ -	\$ 150,000	\$ 6,334	\$ 181,070

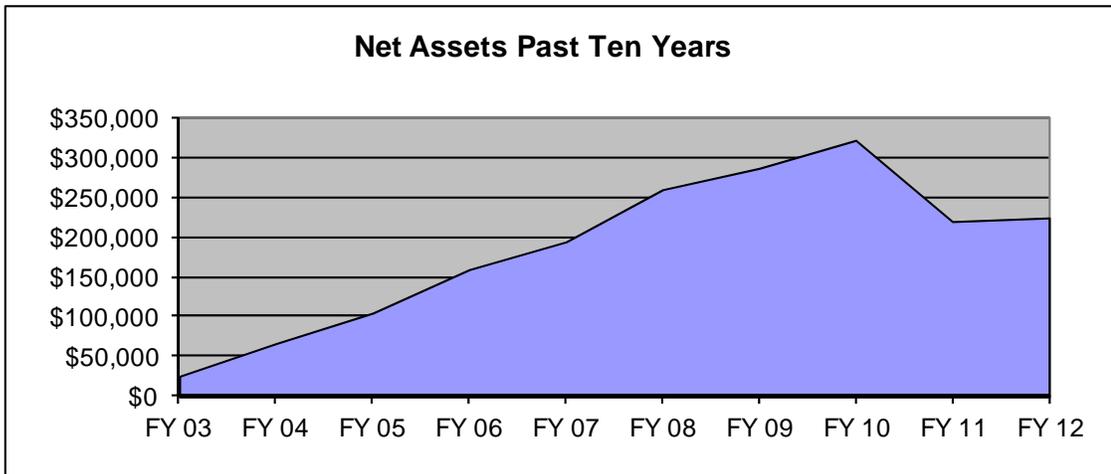
Grant Revenues By Source All Years Combined



**Note: The School began enrolling students in FY 02.
Source: School Financial Records**

Life Skills Center of Middletown
Net Assets
Last Ten Fiscal Years

Year	Invested in Capital Assets	Unrestricted	Total	Change in Net Assets
2012	\$ -	\$225,742	\$ 225,742	\$ 4,683
2011	\$ -	\$221,059	\$ 221,059	\$ (102,471)
2010	\$ -	\$323,530	\$ 323,530	\$ 35,218
2009	\$ 424	\$287,888	\$ 288,312	\$ 27,029
*2008	\$ 5,264	\$256,019	\$ 261,283	\$ 65,761
2007	\$ 10,104	\$185,418	\$ 195,522	\$ 34,910
2006	\$ -	\$160,612	\$ 160,612	\$ 54,821
2005	\$ -	\$105,791	\$ 105,791	\$ 38,503
2004	\$ -	\$ 67,288	\$ 67,288	\$ 41,289
2003	\$ -	\$ 25,999	\$ 25,999	\$ 22,064



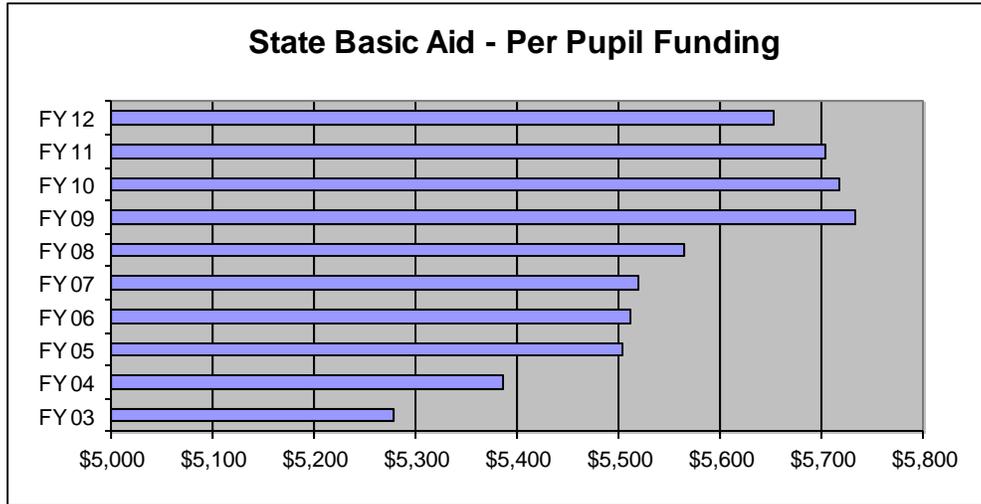
Note: The School began enrolling students in FY 02.

*** A prior period adjustment of \$23,796 was recorded**

Source: School Financial Records

Life Skills Center of Middletown
 State Basic Aid – Per Pupil Funding Amount
 Last Nine Fiscal Years

Year	Per Pupil Funding	Cost of Doing Business	Total Per Pupil
2012	\$ 5,653	-	\$ 5,653
2011	\$ 5,703	-	\$ 5,703
2010	\$ 5,718	-	\$ 5,718
2009	\$ 5,732	-	\$ 5,732
2008	\$ 5,565	-	\$ 5,565
2007	\$ 5,403	1.0215	\$ 5,519
2006	\$ 5,283	1.0431	\$ 5,511
2005	\$ 5,169	1.0646	\$ 5,503
2004	\$ 5,058	1.0646	\$ 5,385
2003	\$ 4,949	1.0663	\$ 5,277



Note 1: In addition to the above, the School also receives other sources of State Aid including (but not limited to) Career Based Intervention Funding, Disadvantaged Pupil Impact, 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”.

Note 2: The School began enrolling students in FY 02.

Note 3: The Ohio Department of Education eliminated the cost of doing business factor in fiscal year 2008.

Source: Ohio Department of Education

Life Skills Center of Middletown
Student Population by Resident District
2012 Fiscal Year

<u>Resident District</u>	<u>%</u>
Edgewood	4.14%
Franklin	2.37%
Lakota	1.49%
Madison	3.30%
Middletown	76.46%
Monroe	2.28%
Preble Shawnee	1.52%
All Other Districts	8.44%

Note 1: 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.

Note 2: 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 Middletown
Miscellaneous Statistics

School Address: 631 South Breiel Boulevard
Middletown, Ohio 45042

Square Footage: 13,182 sq. ft.

Date of Incorporation: 10/23/2000

Instructional Staff: 13

Total FY 12 Staff: 15

} **Note: All Staff are employees of WHLS of Ohio, LLC. See Note 7 in Notes to the Basic Financial Statements.**

**Instructional Staff/
Student Ratio:** 16:1

**Number of Graduates
since inception:** 690

**Percent of Low
Income Students:** 75.3%

Source: School Records