

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

LIFE SKILLS CENTER OF CANTON
STARK 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
Schedule of Prior Audit Findings.....	9

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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 Canton
Stark County
1100 Cleveland Avenue N.W.
Canton, Ohio 44702

To the Board of Directors:

We have audited the financial statements of the Life Skills Center of Canton, Stark County, Ohio, (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated May 2, 2008. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We noted certain matters that we reported to the School's management in a separate letter dated May 2, 2008.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated May 2, 2008.

The School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, and the Community School's Sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 2, 2008

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance – Credit Card Use and Travel Policies

The School's Credit Card Use and Travel Policies specify requirements for the proper use of credit cards and the reimbursement of travel expenses. Specific requirements include the following:

- Proper logs and documentation of credit card expenses, including original itemized paid receipts shall be maintained by the Board Fiscal Officer and made available for audit.
- Failure to submit an original itemized receipt for any purchases made on a Board credit card shall result in rejection of payment for any and all charges not properly documented and the Board Member responsible for said purchase will then be held responsible for reimbursement of charges within 14 days after notification.
- Use of credit cards is limited to individual purchases of \$500 or less and not intended for purchases of equipment.
- Credit cards may not be used for personal charges under any conditions.
- Reconciliation and payment of the credit card account shall occur upon receipt of the statement.
- A Travel Expense Reimbursement Report is to be completed and submitted to the Board Treasurer for approval.
- Use of a rental car is not reimbursable unless identified on the Part I travel reimbursement request and pre-approved by the Board President and Board Treasurer.
- In accordance with the travel policy, the Board will only reimburse at the mid-sized sedan rental rate unless otherwise approved.
- Excess costs, delays, or luxury accommodations and services unnecessary or unjustified in the performance of official business are not acceptable under the travel policy.
- In accordance with the travel policy, Directors will be responsible for any unauthorized costs and expenses incurred for personal preference or convenience.
- Copies of the meeting/seminar/conference agenda must be attached to the Travel Expense Reimbursement Report that is being processed for approval.
- Original receipts are to be attached to the Travel Expense Report.

During testing of credit card and travel reimbursement expenses, the following violations of the above policies were noted for which the School paid an allocated portion of the related charges:

- Credit card payments were made based upon verbal and/or written directives by the Board as opposed to proper documentation of individual purchases.
- Itemized receipts for various paid credit card purchases could not be located for review.
- Office furniture approximating \$3,700 was purchased using a credit card and allocated across 19 schools.
- Incidental personal charges incurred while traveling such as in-room movies and gift shop purchases were charged to Board credit cards and allocated across 19 schools.
- Reconciliation and timely payment of credit card accounts did not always occur resulting in payment of late fees, finance charges, and immaterial amounts of sales tax; overpayments for charges already paid but not yet credited to the credit card statement; and improper allocation of charges to schools receiving no benefit from the purchase.
- Travel Expense Reimbursement Forms were not always completed for paid Board Travel.
- Pre-approval of rental cars was not always obtained.
- Rental cars classified as luxury vehicles were utilized for paid Board travel.
- Charges were incurred and paid for additional automobile insurance on the use of rental cars.

FINDING NUMBER 2007-001 (Continued)

- In several instances, rental cars were kept for an additional day(s) for the convenience of the Board members at the expense of the School.
- Travel expenses for Board member attendance at a conference in Baltimore were not supported by a conference agenda.
- Itemized receipts for various paid travel expenses could not be located for review.

The Board should ensure all credit card purchases and travel reimbursements are made in accordance with Board approved policies.

Officials' Response: The school will review its credit card use policy and credit card users. The school does disagree with 2 of the items listed. Office furniture purchases were for the Board office. While 4 out of 19 schools do not contribute to the rent of the office, their Board members do conduct committee meetings there for those school's benefit. As such, those costs are allowable. Lastly, use of a luxury automobile for Board travel was necessary because one Board member is overweight to the point of being disabled. As such, travel in a conventional car was not feasible. The only choices were a van (not allowable per policy) or the luxury car. Had the board not deviated from the policy, issues surrounding Americans with Disabilities' Act could have occurred. The school is currently reviewing this policy and will modify it accordingly.

Auditor of State's Conclusion: No exceptions were noted with respect to the proper public purpose or the allocation of the expense for office furniture; only the use of a credit card for the expense, which is expressly addressed within the Board policy. Additionally, no documentation was provided to evidence the required pre-approval of rental vehicles or the approval of an increased reimbursement rate for any such vehicles as required by the Board policy.

FINDING NUMBER 2007-002

Significant Deficiency – Internal Controls

The Fiscal Officer is responsible for recording and maintaining all the financial information for the School and the Board of Directors is responsible for monitoring all financial activity. However, internal control deficiencies currently exist which we believe cumulatively result in more than a remote likelihood of more-than-inconsequential misstatements. The following describes these deficiencies:

- The responsibility for maintaining relevant information regarding the School is decentralized; however, these responsibilities are not clearly defined. As a result, the School could not readily obtain or provide sponsor contracts, Board policies, and minutes of the Board. These documents are the primary source of evidence documenting the intent of the School's management and without them, disbursements for sponsorship fees, Board stipends, reimbursements, and professional services were not properly supported. As a result, alternative audit procedures had to be performed to ensure School monies were not misspent.
- Versions of various worksheets and other supporting documentation submitted for audit review contained errors and did not support and/or agree to reported financial statement amounts. We received revised versions of the worksheets and documentation after we brought these matters to management's attention. Examples include: Board and Committee membership listings, which support payments for attending Board meetings; banking information; and various substantive reconciliation worksheets. Audit reliance on this original documentation would have resulted in material adjustments, if not investigated and corrected by the School.
- Because the School has similar Board membership as other schools with the same Fiscal Officer, there are several expenses which were allocated across multiple schools; however, these allocations were not always formally approved by the Board nor were they always accurately recorded.
- A large portion of the School's information is maintained in electronic form and utilizes no features to identify the preparer and/or the reviewer. As a result, supporting documentation contained no evidence of any review process by the Fiscal Officer and/or the Board.

FINDING NUMBER 2007-002 (Continued)

Several transaction level errors were noted during testing:

- Grants Funding Receivable transactions were not properly recorded resulting in financial statement line item misstatements.
- Grants Revenue transactions were not properly recorded resulting in financial statement line item misstatements.
- Grants Funding Payable transactions were not properly recorded resulting in financial statement line item misstatements.
- Grants Expense transactions were not properly recorded resulting in financial statement line item misstatements.
- The Sponsor Fee Receivable amount was recorded on the School's balance sheet as Receivable from Schools. This resulted in an audit adjustment.
- Though the School documents Board meeting member attendance in the minutes and sign-in sheets, some meeting stipends were paid based solely upon verbal and/or written directives by the Board as opposed to proper documentation such as Board minutes or Board meeting sign-in sheets.

The School should review its practices and establish well defined internal controls including clearly defining the responsibilities of the School's key officials and establishing transaction level review procedures to ensure financial statements errors can be detected and corrected more timely.

The Fiscal Officer's responses to the finding above are presented below. As noted in the Auditor of State Conclusions, we respectfully disagree with the Fiscal Officer's comments in some respects.

Officials' Response: The school strongly disagrees that insufficient internal controls exist. In several instances of this citation, the Auditor of State contradicts itself in its proof that these controls are insufficient.

To begin, the auditor admits that "...errors were quantitatively immaterial to the financial statements as a whole.." This is due to strong internal controls being in place.

Auditor of State's Conclusion: The concept of materiality includes quantitative as well as qualitative measures in relation to the subject matter of the audit. As indicated in the Schedule of Prior Year Findings, similar internal control matters were previously communicated to the School. Although the items listed above were quantitatively immaterial to the current year under audit, they represent internal control deficiencies that remain uncorrected and, in our opinion, result in more than a remote likelihood of more-than-inconsequential misstatements. Auditing Standard No. 112 now requires us to report matters meeting the criteria described in the preceding sentence.

Officials' Response: The school requires two signatures on each check. At least one signature must be from a Board officer (President, Vice-President, Treasurer or Secretary). This precludes the fiscal officer from being able to unilaterally issue payments without approval.

Auditor of State's Conclusion: We noted instances in which School checks contained only one signature, which we communicated to management.

Officials' Response: The school has a finance committee that meets regularly to review financial reports and discuss finances with the fiscal officer. The Board also receives a detailed listing of bank reconciliations that detail each check, deposit or other expenditure/credit at each Board meeting. These reports are received a week in advance of the meeting so that Board members have sufficient time to review each transaction.

FINDING NUMBER 2007-002 (Continued)

Auditor of State's Conclusion: Currently, the responsibility to ensure invoiced amounts are accurate, check amounts agree to the invoice, revenue amounts agree to supporting documentation, and revenue and expense amounts are properly recorded to the financial system rests solely with the Fiscal Officer and his staff. Board reports do not include information that would allow for this level of review. Documentation supporting the financial statements and submitted for audit contained errors. The Auditor of State cannot be a part of the School's internal control system. It is the responsibility of the School's fiscal officer, management, and those charged with governance to design, implement, monitor, and identify deficiencies in internal controls over the financial statement preparation process.

Officials' Response: In the first bullet point regarding decentralization of records, the Auditor of State clearly knew that the Board secretary and legal counsel were responsible for minutes, contracts, policies and other official correspondence. This decentralization is in fact good for the school because no one person has sole responsibility for crucial documentation. This limits the ability to tamper with documents and assures accuracy.

Auditor of State's Conclusion: While the decentralization of records can enhance the internal control environment, providing means of direct access to School records such as the Board minutes, contracts, and policies is critical to ensure the Fiscal Officer has complete and accurate information consistent with the School's financial reporting objectives and current needs. Without these documents, the Fiscal Officer was unable to substantiate that proper and accurate amounts were paid for Board stipends, sponsor fees, reimbursements, and credit card payments. As a result, as noted in Finding 2007-001, credit card payments and travel reimbursements were paid contrary to the approved Board policies. Additionally, the School's financial records gave the appearance of improper payments for Board stipends due to missing or inaccurate minutes.

Officials' Response: Comments regarding the fiscal officer's maintenance of multiple worksheets are a misleading statement for two reasons. First, it is not uncommon to have multiple worksheets for calculations. It usually takes a few iterations to get the calculation correct. As admitted by the auditor of state "...errors were quantitatively immaterial to the financial statements as a whole.."

Auditor of State's Conclusion: As described above, some documentation supporting the financial statements and submitted for audit contained errors. As the auditors brought these errors to the Fiscal Officer's attention, another version of the worksheet would be provided. This would occur in multiple iterations until the adjusted versions supported the financial statement number being audited. The Auditor of State cannot be a part of the School's internal control system. It is the responsibility of the School's fiscal officer, management, and those charged with governance to design, implement, monitor, and identify deficiencies in internal controls over the financial statement preparation process.

Officials' Response: The auditor of state neglects to tell the reader that the fiscal officer is required to pack up all of the documents and ship them from Columbus to Canton (130 miles away) even though there is a regional office in Columbus. A requirement not imposed on other fiscal officers as their audits are done on-site. This has a deleterious effect on the audit process as a whole. Moving records in this way is equivalent to moving from one house to another. It is not possible to not have some items misplaced such as worksheets or other confusion of where things were placed during a move. Also, other issues that arise during the course of a normal audit can be handled instantaneously because auditors are on site with the fiscal officer. He or she can ask routine questions daily. With this style of auditing, issues compile until a massive email must be sent which may then require a 4 hour round trip from Columbus to Akron/Canton to answer questions handled in a 1-2 hour meeting.

FINDING NUMBER 2007-002 (Continued)

Auditor of State's Conclusion: The School is one of 19 schools with common Board composition for whom the Fiscal Officer compiles information and for which the audits are performed concurrently. As the majority of these schools are located in Cuyahoga, Summit, or Stark Counties and the School's management company is located in Akron, the audit is performed by the Akron/Canton regional office. As is common for audits of entities, prior to the commencement of the audit, the Fiscal Officer was provided with a detailed listing of the School's documentation required for audit review. To accommodate the offsite audit and alleviate the burden on School officials, the Auditor of State voluntarily transported records between the Fiscal Officer's business location and the Auditor of State's Office. In addition, the Auditor of State remained in contact with the School Fiscal Officer throughout the audit engagement. The Auditor of State and School utilized electronic media and documentation (e.g. email) to exchange routine information and obtain status reports on the audit. The inefficiencies recognized during the audit were not due to the method utilized by the Auditor of State to obtain audit information, but rather, they were the result of inaccurate and incomplete information regularly provided to the Auditor of State by the School. In addition, the School Fiscal Officer did not provide the requested audit documentation by his agreed-upon target dates.

Officials' Response: The school disagrees with comments regarding allocations. While it is true that the Board as a whole does not review each calculation of an allocation, a Board officer must sign the check for each school. As such, a Board member with authority to approve each allocated charge is signing each check (thus approving the allocated charge and its calculation). Also, charges are typically allocated across schools for which a board member sits (usually 19). Thus, any allocation "...errors were quantitatively immaterial to the financial statements as a whole.."

Auditor of State's Conclusion: In order to determine the propriety of allocated charges, one must have a detailed knowledge of the total expense and the number of entities over which the expense is allocated. This information is not provided on the check and therefore, currently, the responsibility for this analysis rests solely with the Fiscal Officer and his staff. Additionally, allocated charges are made across multiple schools and not all board members are members of all these schools. Thus, each allocated charge in total should be approved by each school's board and not just one board member. Incorrect allocations identified during the audit process are evidence the internal control process is not operating effectively as designed. The Auditor of State cannot be a part of the School's internal control system. It is the responsibility of the School's fiscal officer, management, and those charged with governance to design, implement, monitor, and identify deficiencies in internal controls over the financial statement preparation process.

Officials' Response: The school disagrees with the comment regarding the Board review of electronic documents. Board members are not accountants and should not be reviewing the detailed accounting ledgers prior to submission to the auditor of state. The fiscal officer does hire an outside accountant (who used to be an audit manager for the auditor of state) to perform a pre-audit review of the records prior to submission. In the future, the fiscal officer will get sign off by the outside accountant for the review of work papers prior to submission.

Auditor of State's Conclusion: Employment of an outside accountant, other than the School's auditor, with expertise in GAAP reporting, is an acceptable means of supplementing and strengthening the School's internal controls over accounting and reporting. However, the Fiscal Officer, or other designated management official, is still responsible for: (1) reviewing and taking responsibility for the work performed by the outside accountant and (2) possessing the skills and competencies to prevent, detect, and correct potential misstatements. As described above, several transaction level errors were noted during testing. In each instance, failure to review the transaction and agree the amounts to the supporting documentation contributed to the error made. Additionally, note disclosures within the School's draft CAFR contained several errors including incorrect dates, amounts, and/or verbiage. The School should ensure all transactions and supporting calculations are properly reviewed and all worksheets identify the preparer and reviewer.

Officials' Response: Regarding bulleted items listed as undetected/uncorrected, the school refers back to the auditor's admission that these "...errors were quantitatively immaterial to the financial statements as a whole..". As such, the school contends that all other bulleted items should not have been listed in the report.

FINDING NUMBER 2007-002 (Continued)

Auditor of State's Conclusion: Although many of the transaction level errors were quantitatively immaterial to the financial statements as a whole, the potential magnitude of the misstatements were often more than inconsequential and the likelihood of misstatement was more than remote. Additionally, taken collectively, these errors had an unfavorable qualitative impact to the financial statements and represent a significant deficiency within internal control requiring disclosure in this report in accordance with Auditing Standard No. 112.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Noncompliance—Credit Card Expenses	No	Not Corrected; See Finding 2007-001
2006-002	Government Auditing Standards	Yes	N/A
2006-003	Reportable Condition – Bookkeeping Errors/ Adjustments	No	Partially Corrected; See Finding 2007-002
2006-004	Reportable Condition – Board Compensation	No	Not Corrected; See Finding 2007-002

Comprehensive Annual Financial Report

For the Year Ended June 30, 2007



Life Skills Center of Canton

Canton, Ohio

**Life Skills Center of Canton
Canton, Ohio**

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2007**

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

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**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

Title	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Board of Directors.....	iv
Government Finance Officers Association Certificate	
FINANCIAL SECTION	
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
STATISTICAL TABLES	
Operating Expenses by Category - Last Five Fiscal Years.....	23
Operating and Non-Operating Revenues - Last Five Fiscal Years	24
Full Time Equivalent (FTE) Enrollment - Last Five Fiscal Years.....	25
Grant Revenues by Source - Last Five Fiscal Years	26
Net Assets - Last Five Fiscal Years.....	27
State Basic Aid - Per Pupil Funding Amount - Last Five Fiscal Years	28
Student Population by Resident District - 2007 Fiscal Year.....	29
Miscellaneous Statistics.....	30

Introductory Section

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Canton, Ohio 44702

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www.lifeskillscenters.com

May 2, 2008

Life Skills Center of Canton Community
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Life Skills Center of Canton (the School) for the fiscal year ended June 30, 2007. 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 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). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2007 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 2007 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 34 community schools throughout the State serving nearly 10,200 children.

Life Skills Center of Canton 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 July 2002 in downtown Canton, Ohio is run by an seven member Board of Directors. The School looks to its nearly five-year history of consistently graduating students from its program twice a year as a measure of its success. The School has contracted with LS Canton, 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 2008 and 2007). 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 Canton City School District receives over \$11,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Canton) receives only \$8,219 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 172 full-time equivalent students for fiscal year 2007. 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 10 to the basic financial statements under the Financial Section includes the required information for fiscal year ended June 30, 2007.

Awards and Acknowledgements

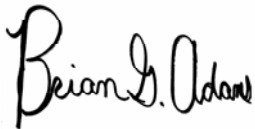
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Life Skills Center of Canton for its CAFR for the year ended June 30, 2006. This was the third year that the School has received the award. 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 Canton



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



James E. Haynes
Finance Committee Chairman
Life Skills Center of Canton

Life Skills Center of Canton
Board of Directors
June 30, 2007

Robert C. Townsend II
James E. Haynes
Edward D. Wilkins, Sr.
Marco Sommerville
Jack Calhoun
Anthony Lombardi, Jr.
Brother Dave Lombardi

Board President
Board Treasurer
Board Secretary
Board Member
Board Member
Board Member
Board Member

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Life Skills Center of Canton, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.



Oliver S. Cox

President

Jeffrey R. Enos

Executive Director

Financial Section

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Life Skills Center of Canton
Stark County
1100 Cleveland Avenue N.W.
Canton, Ohio 44702

To the Board of Directors:

We have audited the accompanying basic financial statements of the Life Skills Center of Canton, Stark County, Ohio, (the School) as of and for the year ended June 30, 2007, 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 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 net assets of Life Skills Center of Canton, Stark County, Ohio, as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2008, 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's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the 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 financial statements that collectively comprise 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 2, 2008

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

The discussion and analysis of the Life Skills Center of Canton's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. 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 decreased \$19,631 which represents a 12.4 percent decrease from 2006. This decrease is due to decreased enrollment and increased fees paid for oversight of School activities.
- Total assets decreased \$865, which represents a 0.4 percent decrease from 2006. This was primarily due to a decrease in capital assets (as a result of depreciation) from the previous year.
- Liabilities increased \$18,766, which represents a 29.3 percent increase from 2006. The increase in liabilities is a direct result of the increase in state funding payables due to the State and Grants Funding Payable. The State Funding Payable represents an overpayment made by the State to the School during fiscal year 2007.

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.

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2007. 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 CANTON
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Table 1 provides a summary of the School's net assets for fiscal years 2007 and 2006.

(Table 1)
Statement of Net Assets

	2007	2006
Assets		
Current Assets	\$212,594	\$207,222
Capital Assets, Net	9,293	15,530
Total Assets	\$221,887	\$222,752
Liabilities		
Current Liabilities	\$ 82,715	\$ 63,949
Net Assets		
Investment in Capital Assets	\$ 9,293	\$ 15,530
Unrestricted	129,879	143,273
Total Net Assets	\$139,172	\$158,803

Total assets decreased \$865, which represents a 0.4 percent decrease from 2006. This was primarily due to a decrease in capital assets (as a result of depreciation) from the previous year. Liabilities increased \$18,766, which represents a 29.3 percent increase from 2006. The increase in liabilities is a direct result of the increase in state funding payables due the State and the increase in federal grant funding payable. The State Funding Payable represents an overpayment made by the State to the School during fiscal year 2007.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2007 and 2006, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2007	2006
Operating Revenue		
State Aid	\$1,292,755	\$2,067,864
Other	62	-
Non-Operating Revenue		
Grants	111,167	122,862
Interest Income	9,638	6,677
Total Revenues	1,413,622	2,197,403
Operating Expense		
Purchased Services: Management Fees	1,228,117	1,981,846
Purchased Services: Grant Programs	111,167	122,862
Sponsorship Fees	13,316	10,091
Legal	18,174	17,957
Auditing & Accounting	19,634	6,929
Insurance	1,990	3,503
Board of Education	21,273	7,337
Depreciation	6,236	6,236
Professional Services	12,527	472
Miscellaneous	819	547
Total Expenses	1,433,253	2,157,780
Change in Net Assets	\$ (19,631)	\$ 39,623

The primary reason for the decrease in overall revenues from 2006 was the decrease in students from 278 in fiscal year 2006 to 172 in fiscal year 2007. 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 prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Capital Assets

At the end of fiscal year 2007 the School had \$9,293, invested in equipment and computers and software, which represented a decrease of \$6,236 from 2006. Table 3 shows the changes in Capital Assets below.

(Table 3)

Capital Assets (Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Equipment	\$ 8,626	\$ 13,100
Computer & Software	667	2,429
Totals	<u>\$ 9,293</u>	<u>\$ 15,529</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 Canton received revenue for 172 students in 2007 (a decrease from 2006 of 106) 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 \$7,516 in fiscal year 2007 with a 2.2 percent increase in State Basic Aid planned in fiscal year 2008. 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, a cost that was not incurred through the sponsorship by ODE. Saint Aloysius Orphanage charged one-half percent of State Aid to be paid by the School for fiscal year 2007 and will charge one percent for fiscal year 2008.

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 Canton, 7215 Sawmill Rd, Suite 050, Dublin, OH 43016 or e-mail at badams@ocscltd.com.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

ASSETS

Current Assets

Cash and Cash Equivalents	\$142,740
Grants Funding Receivable	18,144
Continuing Fees Receivable	51,171
Sponsor Fees Receivable	<u>539</u>
Total Current Assets	212,594

Noncurrent Assets

Depreciable Capital Assets, net	<u>9,293</u>
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Total Assets \$221,887

LIABILITIES

Current Liabilities

Accounts Payable	\$ 8,297
State Funding Payable	53,864
Grants Funding Payable	<u>20,554</u>

Total Liabilities \$ 82,715

NET ASSETS

Investment in Capital Assets	\$ 9,293
Unrestricted	<u>129,879</u>

Total Net Assets \$139,172

See accompanying notes to the basic financial statements

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

OPERATING REVENUES	
State Aid	\$1,292,755
Other	<u>62</u>
Total Operating Revenues	1,292,817
OPERATING EXPENSES	
Purchased Services: Management Fees	1,228,117
Purchased Services: Grant Programs	111,167
Sponsorship Fees	13,316
Legal	18,174
Auditing and Accounting	19,634
Insurance	1,990
Board of Education	21,273
Depreciation	6,236
Professional Services	12,527
Miscellaneous	<u>819</u>
Total Operating Expenses	<u>1,433,253</u>
Operating Loss	(140,436)
NON-OPERATING REVENUE	
Grants	111,167
Interest Income	<u>9,638</u>
Total Non-Operating Revenue	120,805
Change in Net Assets	<u>(19,631)</u>
Net Assets Beginning of Year	<u>158,803</u>
Net Assets End of Year	<u>\$ 139,172</u>

See accompanying notes to the basic financial statements

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State of Ohio	\$ 1,300,879
Cash Payments to Suppliers for Goods and Services	(1,423,371)
Other Cash Receipts	<u>62</u>
Net Cash Used For Operating Activities	(122,430)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grants	<u>102,927</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	<u>9,638</u>
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Net Decrease in Cash and Cash Equivalents	(9,865)
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Cash and Cash Equivalents Beginning of Year	<u>152,605</u>
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Cash and Cash Equivalents End of Year	<u>\$ 142,740</u>
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RECONCILIATION OF OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (140,436)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Depreciation	6,236
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Changes in Assets and Liabilities:

Accounts Receivable	1,212
Continuing Fees Receivable	(7,718)
Receivable from Schools	48
Sponsor Fees Receivable	(539)
Accounts Payable	4,136
State Funding Payable	8,124
Grants Funding Payable	<u>6,507</u>

Net Cash Used For Operating Activities	<u>\$ (122,430)</u>
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See accompanying notes to the basic financial statements

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**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center of Canton (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 Canton, LLC, a Nevada limited liability company, for most of its functions. WHLS of Ohio, LLC, a Nevada limited liability company ("WHLS") dba White Hat Management Company, is the sole member of LS Canton, LLC and is the entity with which the School's board interacts 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 for a period of five years from July 12, 1999 through June 30, 2004. The contract was renewed with the Ohio State Board of Education for a subsequent one year period from July 1, 2004 through July 1, 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 (Sponsor), to operate for a period from July 1, 2005 through June 30, 2010.

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 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 July 2002 and has one instructional/support facility, which is leased by WHLS of Ohio, LLC. The facility is staffed with teaching personnel employed by WHLS of Ohio, LLC, who provide services to 172 students. The Board also operates HOPE Academy Canton Campus.

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 CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(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 2007. 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 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 2007, 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, 2007.

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 CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(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 2007 school year totaled \$1,403,922.

F. Capital Assets and Depreciation

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

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of \$16,555. Depreciation is computed by the straight-line method over three years for "Computers and Software" and five years for "Equipment".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all School deposits was \$5,151. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, the School's bank balance of \$1,532 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, 2007, 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	\$137,589	\$137,589	\$ -	\$ -

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, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$137,589	100.00

4. STATE FUNDING PAYABLE

The School has also recognized on its Statement of Net Assets a "State Funding Payable" for the amount of State Aid directly related to FTE, estimated to be repaid by the School to 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 payable reflects that the School was funded on a higher estimated enrollment figure throughout the year than what the actual FTE enrollment figure was calculated to be at year-end. At June 30, 2007, the amount of "State Funding Payable" was \$53,864.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

5. CONTINUING FEES RECEIVABLE

A "Continuing Fees Receivable" from WHLS of Ohio, LLC has been recorded by the School in the amount of \$51,171 for 95 percent of the "State Funding Payable" due to the State for the FTE liability. (See Note 4)

6. GRANTS FUNDING RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of \$18,144 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2007.

Additionally, under the terms of the management agreement (See Note 9), the School has recorded a liability to WHLS of Ohio, LLC in the amount of \$20,554 for 100 percent of any State and Federal monies uncollected or unpaid to WHLS of Ohio, LLC as of June 30, 2007.

7. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2007, the School's capital assets consisted of the following:

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/07</u>
Capital Assets Being Depreciated:				
Equipment	\$ 17,848	\$ -	\$ -	\$ 17,848
Computers and Software	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
Total Capital Assets Being Depreciated	<u>25,848</u>	<u>-</u>	<u>-</u>	<u>25,848</u>
 Less Accumulated Depreciation:				
Equipment	(4,748)	(4,473)	-	(9,221)
Computers and Software	<u>(5,571)</u>	<u>(1,763)</u>	<u>-</u>	<u>(7,334)</u>
Total Accumulated Depreciation	<u>(10,319)</u>	<u>(6,236)</u>	<u>-</u>	<u>(16,555)</u>
 Total Capital Assets Being Depreciated, Net	 <u>\$ 15,529</u>	 <u>\$ (6,236)</u>	 <u>\$ -</u>	 <u>\$ 9,293</u>

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

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 with a \$2,500 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 Canton, 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 of Ohio, LLC. WHLS of Ohio, LLC 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 to compensate the School for the education of its students shall be fully paid to the Company". The continuing fee is paid to WHLS of Ohio, LLC based on the previous month's qualified gross revenues. As such, WHLS of Ohio, LLC 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, 2007, to WHLS of Ohio, LLC of \$1,339,284, receivables of \$51,171 and payables to WHLS of Ohio, LLC at June 30, 2007 aggregating \$53,864. WHLS of Ohio, LLC 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 CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

10. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2007, White Hat Ventures, LLC and its affiliates incurred the following expenses on behalf of the School.

Expenses	2007
Direct Expenses:	
Salaries & wages	\$ 491,608
Employees' benefits	129,704
Professional & technical services	144,128
Property services	173,303
Travel	3,266
Communications	35,864
Utilities	45,466
Books, periodicals, & films	6,347
Other supplies	151,640
Depreciation	93,028
Other direct costs	56,951
Indirect Expenses:	
Overhead	<u>306,422</u>
Total Expenses	<u><u>\$1,637,727</u></u>

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.

11. DEFINED BENEFIT PENSION PLANS

The School has contracted with WHLS of Ohio, LLC 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)

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations, compared to 10.58 percent for fiscal year 2006. 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 fiscal years ended June 30, 2007, 2006, and 2005 were \$10,210, \$24,090, and \$27,641, 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 43215-3771 or by calling (614) 227-4090, 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 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. 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.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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.

For the fiscal year ended June 30, 2007, 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 2006, 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$49,523, \$66,056, and \$67,350 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 (STRS), 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.

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, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$3,809 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS Ohio, 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.

**LIFE SKILLS CENTER OF CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the School paid \$6,234 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, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 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 lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the US District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

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, 2007 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 CANTON
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(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 percent of State Aid. Total fees for fiscal 2007 were \$13,316. The contract is for five years ending June 30, 2010. The Sponsor is to provide oversight, monitoring, and technical assistance for the School.

17. SUBSEQUENT EVENTS

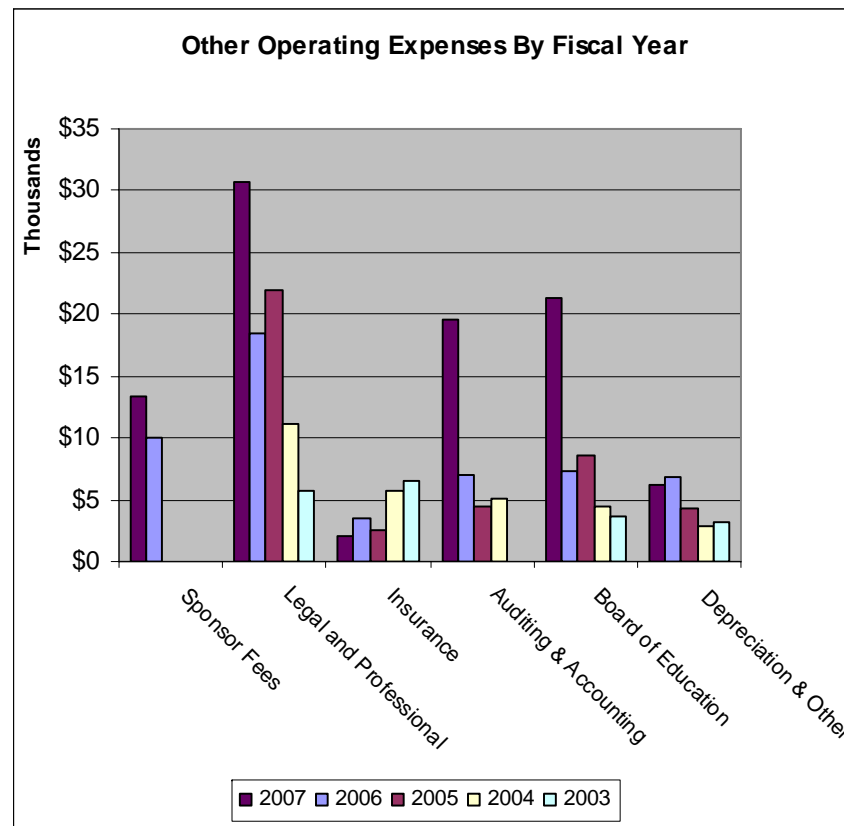
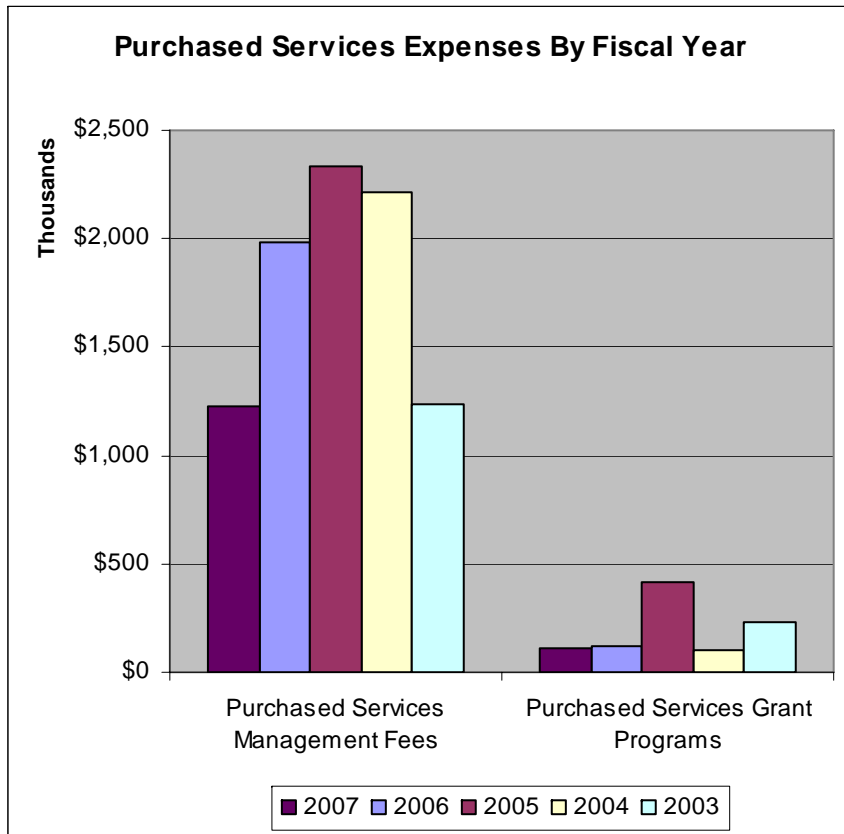
During fiscal year 2007, the Ohio Legislature passed H.B 79 which modified certain provisions of the charter school statute. On March 28, 2007, the School initiated a lawsuit in Franklin County challenging the legality of certain provisions of H.B. 79. As a result of this lawsuit, Board Members who sit on more than 2 School Boards will be allowed to finish their terms, after which, related boards will be significantly reduced or eliminated as these Board members will be unable to continue serving on multiple Boards.

In October 2007, the School filed lawsuits against Integrated Consulting Management and Community Educational Partnerships for matters related to their contracts. Both organizations have in turn countersued the School. The effects of these lawsuits are presently not determinable.

Statistical Section

Life Skills Center of Canton
Operating Expenses by Category
Last Five Fiscal Years

Year	Purchased Services Management Fees	Purchased Services Grant Programs	Sponsor Fees	Legal and Professional	Insurance	Auditing & Accounting	Board of Education	Depreciation & Other	Total	Enrollment	Per Pupil Expenditure
2007	\$ 1,228,117	\$ 111,167	\$ 13,316	\$ 30,701	\$ 1,990	\$ 19,634	\$ 21,273	\$ 7,055	\$ 1,433,253	172	\$ 8,333
2006	\$ 1,981,846	\$ 122,862	\$ 10,091	\$ 18,429	\$ 3,503	\$ 6,929	\$ 7,337	\$ 6,783	\$ 2,157,780	278	\$ 7,762
2005	\$ 2,332,994	\$ 417,758	\$ -	\$ 21,985	\$ 2,552	\$ 4,518	\$ 8,649	\$ 4,331	\$ 2,792,787	330	\$ 8,463
2004	\$ 2,209,645	\$ 96,896	\$ -	\$ 11,139	\$ 5,689	\$ 5,159	\$ 4,394	\$ 2,923	\$ 2,335,845	366	\$ 6,382
2003	\$ 1,240,529	\$ 229,825	\$ -	\$ 5,648	\$ 6,488	\$ -	\$ 3,603	\$ 3,133	\$ 1,489,226	216	\$ 6,895

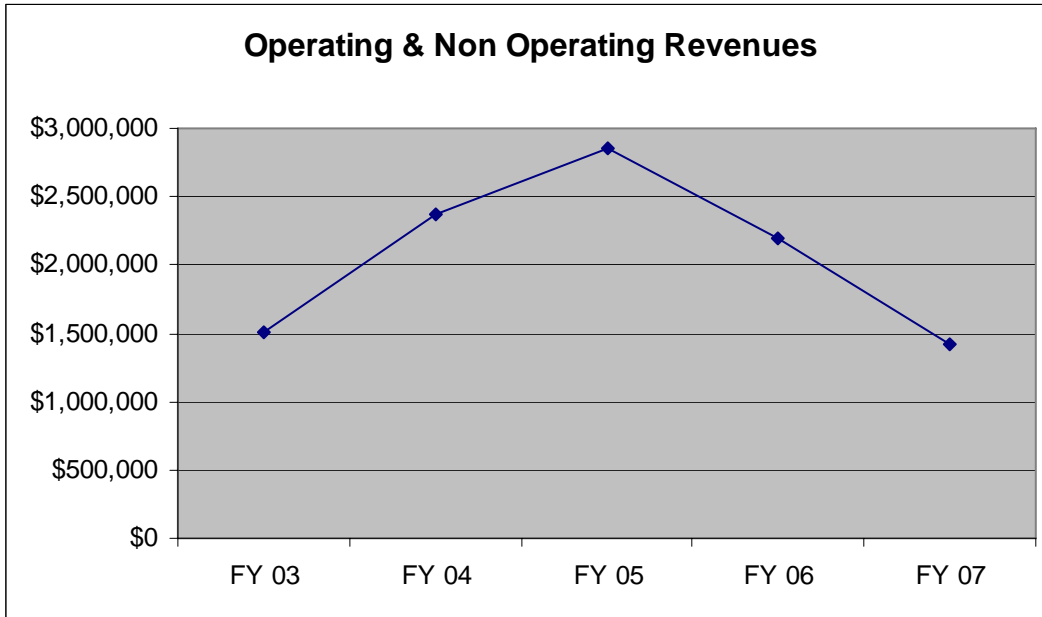


Note: The School began operations in FY 03.

Source: School Financial Records

Life Skills Center of Canton
 Operating and Non-Operating Revenues
 Last Five Fiscal Years

<u>Year</u>	<u>State Aid</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
2007	\$ 1,292,755	\$ 111,167	\$ 9,700	\$ 1,413,622
2006	\$ 2,067,864	\$ 122,862	\$ 6,677	\$ 2,197,403
2005	\$ 2,405,159	\$ 443,606	\$ 3,162	\$ 2,851,927
2004	\$ 2,277,984	\$ 96,896	\$ 1,040	\$ 2,375,920
2003	\$ 1,278,895	\$ 229,825	\$ -	\$ 1,508,720

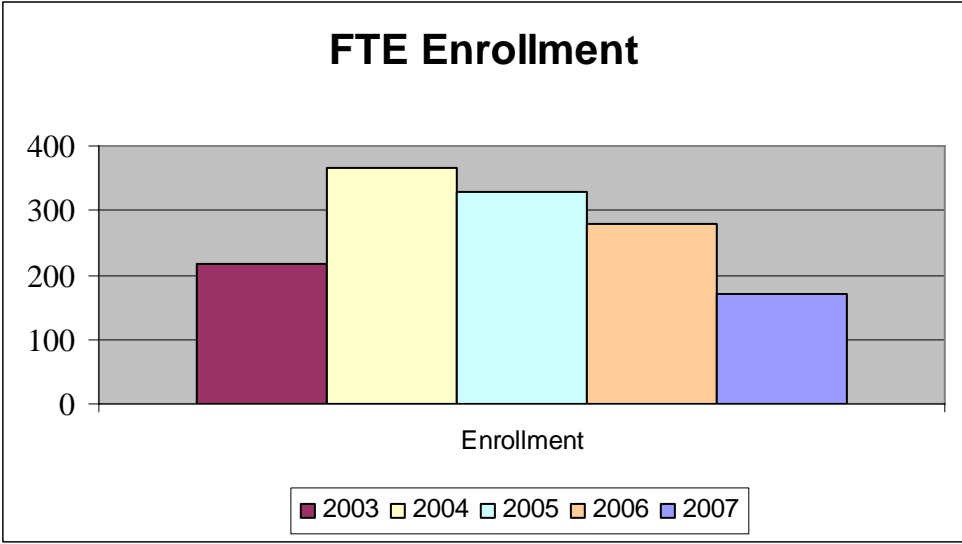


Note: The School began operations in FY 03.

Source: School Financial Records

Life Skills Center of Canton
Full-Time Equivalent (FTE) Enrollment
Last Five Fiscal Years

<u>Year</u>	<u>Enrollment</u>
2007	172
2006	278
2005	330
2004	366
2003	216

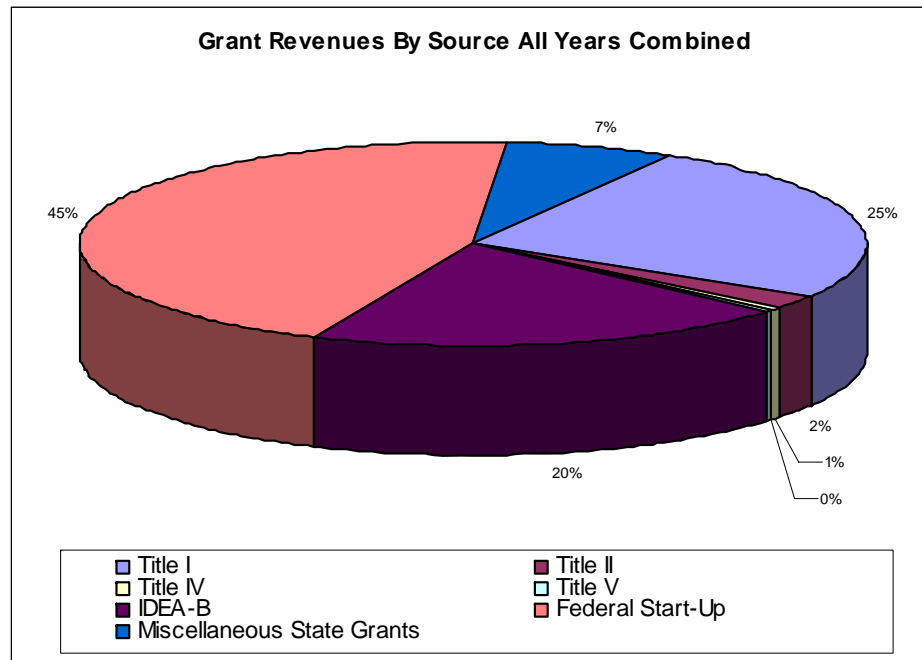


Note: The School began operations in FY 03.

Source: School Financial Records

Life Skills Center of Canton
Grant Revenues by Source
Last Five Fiscal Years

<u>Year</u>	<u>Title I</u>	<u>Title II</u>	<u>Title IV</u>	<u>Title V</u>	<u>IDEA-B</u>	<u>Federal Start-Up</u>	<u>Miscellaneous State Grants</u>	<u>Total</u>
2007	\$49,583	\$3,542	\$1,181	\$313	\$39,979	\$ -	\$ 16,569	\$ 111,167
2006	\$50,931	\$4,256	\$1,852	\$795	\$59,228	\$ -	\$ 5,800	\$ 122,862
2005	\$63,667	\$5,880	\$1,866	\$1,399	\$60,669	\$ 300,000	\$ 10,125	\$ 443,606
2004	\$58,961	\$6,162	\$ 385	\$ 908	\$19,555	\$ -	\$ 10,925	\$ 96,896
2003	\$29,345	\$2,566	\$ 561	\$ 161	\$16,492	\$ 150,000	\$ 30,700	\$ 229,825

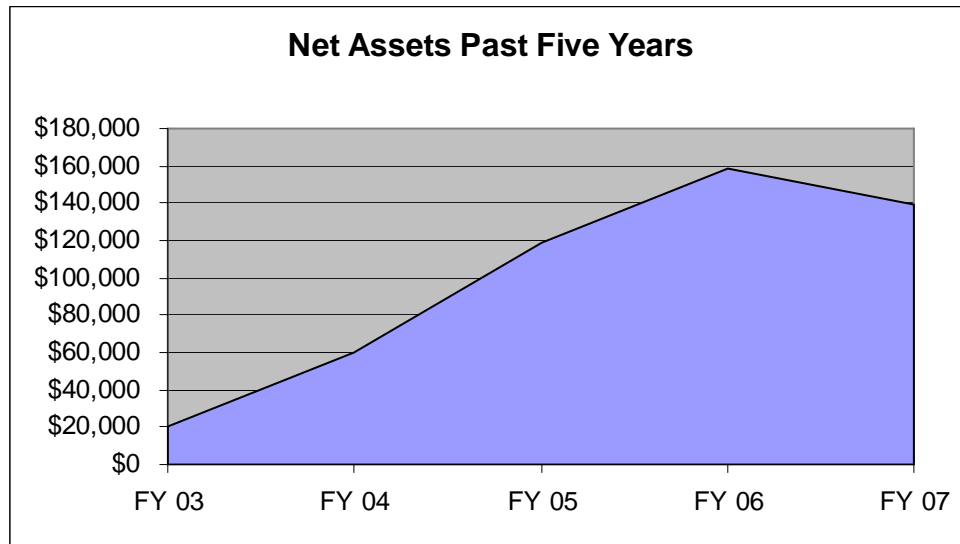


Note: The School began operations in FY 03.

Source: School Financial Records

Life Skills Center of Canton
Net Assets
Last Five Fiscal Years

Year	Invested in Capital Assets	Unrestricted	Total	Change in Net Assets
2007	\$ 9,293	\$ 129,879	\$ 139,172	\$ (19,631)
2006	\$ 15,530	\$ 143,273	\$ 158,803	\$ 39,623
2005	\$ 21,766	\$ 97,414	\$ 119,180	\$ 59,140
2004	\$ -	\$ 60,040	\$ 60,040	\$ 40,075
2003	\$ -	\$ 19,965	\$ 19,965	\$ 19,965

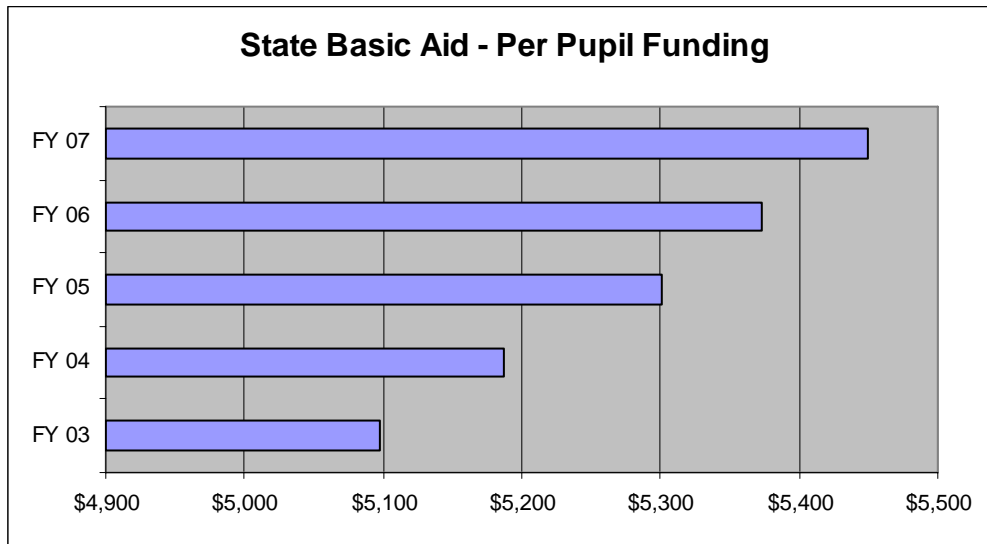


Note: The School began operations in FY 03.

Source: School Financial Records

Life Skills Center of Canton
 State Basic Aid – Per Pupil Funding Amount
 Last Five Fiscal Years

Year	Per Pupil Funding	Cost of Doing Business	Total Per Pupil
2007	\$ 5,403	1.0085	\$ 5,449
2006	\$ 5,283	1.0170	\$ 5,373
2005	\$ 5,169	1.0255	\$ 5,301
2004	\$ 5,058	1.0255	\$ 5,187
2003	\$ 4,949	1.0300	\$ 5,097



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. These 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 03

Source: Ohio Department of Education

Life Skills Center of Canton
Student Population by Resident District
2007 Fiscal Year

<u>Resident District</u>	<u>%</u>
Canton Local	4.07%
Green	1.12%
Jackson	2.44%
North Canton	2.67%
Canton City	49.96%
Louisville	5.24%
Massillon	7.96%
Northwest	1.56%
Perry	5.50%
Plain	14.62%
All Other Districts	4.86%

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 Canton
Miscellaneous Statistics

School Address: 1100 Cleveland Ave NW
Canton, OH 44702

Square Footage: 18,000 sq. ft.

Date of Incorporation: 02/22/2002

Instructional Staff: 8

Total FY 07 Staff: 12

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

Instructional Staff/: 22:1
Student Ratio

Number of Graduates since inception: 383

Percent of Low Income Students: 82.66%

Source: School Records



Mary Taylor, CPA
Auditor of State

LIFE SKILLS CENTER OF CANTON

STARK 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
JULY 8, 2008**