



**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lighthouse Educational Development Corporation, Summit County, Ohio, (the School) as of and for the year ended June 30, 2009, 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 financial position of Lighthouse Educational Development Corporation, Summit County, Ohio, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 15 to the financial statements, the School is experiencing certain financial difficulties. Note 15 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As further described in Note 14 to the financial statements, the School has certain liabilities due to Akron Community School related to a past management agreement. However, Akron Community School is no longer in operation.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2010 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 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.

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

April 12, 2010

Lighthouse Educational Development Corporation

Summit County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

(Unaudited)

The discussion and analysis of Lighthouse Educational Development Corporation (Lighthouse) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009 (FY 09). The intent of this discussion and analysis is to look at Lighthouse's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of Lighthouse's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

Total net assets decreased \$70,610 in 2009.

Total revenue was \$1,177,533 in 2009.

Total expenses were \$1,248,143 in 2009.

Total liabilities increased \$92,055 with total assets increasing \$21,445 in 2009.

Lighthouse has no long term debt at June 30, 2009.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lighthouse as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the whole School, presenting both an aggregate view of Lighthouse's finances and a longer-term view of those finances. Lighthouse's financial statements are presented based upon the enterprise method of reporting under Governmental Accounting Standards Board (GASB). As such, Lighthouse summarizes its financial data as expected of a traditional business or corporation.

Reporting Lighthouse as a Whole

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

The view of Lighthouse as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report Lighthouse's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for Lighthouse as a whole, the *financial position* of Lighthouse has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include Lighthouse's student enrollment, per-pupil funding as determined by the State of Ohio that restricts revenue growth, change in technology, required educational programs and other factors.

Lighthouse Educational Development Corporation

Summit County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

(Unaudited)

Reporting Lighthouse's Financial Statements

The analysis of Lighthouse's financial statements begins on this page. These financial statements use the accrual basis of accounting as business-type activities.

Lighthouse's major revenue source is the State Basic Aid Foundation. Additional sources of revenue come from federal entitlement programs and miscellaneous state grants.

Lighthouse's activities focus on how money flows into and out of the school and the balances left at year-end available for spending in future periods. Lighthouse reports its financial data using an accounting method called *full accrual*, which measures all *financial assets*. The financial statements provide a detailed snap-shot view of Lighthouse's general government operations and the basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Lighthouse as a Whole

Recall that the Statement of Net Assets provides the perspective of Lighthouse as a whole. Table 1 provides a summary of Lighthouse's net assets for 2009 compared to the prior year:

Table 1
Net Assets

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current Assets	\$118,737	\$82,287
Capital Assets	<u>41,406</u>	<u>56,411</u>
<i>Total Assets</i>	<u>160,143</u>	<u>138,698</u>
LIABILITIES:		
Current Liabilities	<u>228,827</u>	<u>136,772</u>
<i>Total Liabilities</i>	<u>228,827</u>	<u>136,772</u>
NET ASSETS:		
Invested in Capital Assets	41,406	56,411
Unrestricted (Deficit)	<u>(110,090)</u>	<u>(54,485)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$68,684)</u></u>	<u><u>\$1,926</u></u>

Total net assets decreased \$70,610. The primary reason for this decrease is that Lighthouse's expenses increased by \$104,322 while revenues decreased \$64,781 from 2008 to 2009. The increase in expenses is due mainly to an increase in fringe benefits and purchased services.

Current assets increased from \$82,287 in 2008 to \$118,737 in 2009. The major reason for this increase is intergovernmental receivable is higher than the prior year's.

Total Assets increased from \$138,698 in 2008 to \$160,143 in 2009. The reason for the increase in Total Assets is due to an increase in intergovernmental receivable.

Liabilities increased by \$92,055. This increase for 2009 is due primarily to an increase in accounts payable and intergovernmental payable. The net impact was a decrease in net assets of \$70,610.

Lighthouse Educational Development Corporation

Summit County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

(Unaudited)

Community School Activities

The overall revenue generated by a community school is solely dependent upon student enrollment plus the per-pupil allotment given by the State foundation and from the federal entitlement programs. Thus community schools dependence upon legislative and congressional decisions on per-pupil funding hampers revenue growth. Foundation payments made up 62.39 percent of revenues for Lighthouse in fiscal year 2009. Grant revenues increased primarily due to availability of additional federal grants from the previous year. Table 2 shows the total cost of services for the past 2 years. That is, it identifies the cost of these services supported by unrestricted State entitlements and restricted state and federal grants:

Table 2
Revenues, Expenses and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Foundation	\$734,640	\$823,401
Other Operating Revenue	8,832	36,644
Non-Operating Revenues:		
Donations	1,500	0
Grants	<u>432,561</u>	<u>382,269</u>
Total Revenue	<u>1,177,533</u>	<u>1,242,314</u>
Operating Expenses:		
Salaries	518,575	573,226
Fringe Benefits	219,142	136,553
Purchased Service	362,825	277,898
Materials and Supplies	122,389	125,839
Depreciation	15,005	16,036
Other	7,620	9,437
Non-Operating Expenses:		
Interest Expense	<u>2,587</u>	<u>4,832</u>
Total Expenses	<u>1,248,143</u>	<u>1,143,821</u>
Increase (Decrease) in Net Assets	(70,610)	98,493
Net Assets (Deficit) Beginning of Year	<u>1,926</u>	<u>(96,567)</u>
Net Assets (Deficit) End of Year	<u><u>(\$68,684)</u></u>	<u><u>\$1,926</u></u>

Total revenues decreased from \$1,242,314 in 2008 to \$1,177,533 in 2009. The primary reason for this decrease was due to a decrease in foundation revenue due to a decrease in the number of students in 2009.

Total expenses increased from \$1,143,821 in 2008 to \$1,248,143 in 2009. The primary reason for this increase was due to an increase in fringe benefits and purchased services for the school.

Lighthouse Educational Development Corporation

Summit County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

(Unaudited)

Lighthouse Budgeting Highlights

Community schools are exempt from appropriations law but are required to maintain the finances under full accrual accounting as required by Generally Accepted Accounting Principles (GAAP). The budget requirement is prescribed by the Ohio Department of Education through each sponsor. Accordingly, Lighthouse's budget is prepared and approved according to a rigid process required by the Lighthouse Board. The Board reviews the budget monthly to stay compliant with its due diligence requirements. Budgets are revised at least once each year to reflect actual data.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, Lighthouse had \$41,406 in net capital assets. See Note 6 for additional information.

Liabilities

At June 30, 2009 Lighthouse had \$228,827 in total liabilities. Most of this is accounts payable, accrued wages, intergovernmental payable, loan payable, and line of credit payable. Lighthouse has a no long term debt at June 30, 2009.

Current Financial Related Activities

The School must look for ways to increase its efficiency and effectiveness. As described on the previous pages, the School has limited means to increase its revenue relative to traditional school districts. Community Schools cannot seek additional funds through levies and is limited to the per pupil revenue. As such, the School must constantly monitor budgets and develop revenue models to accurately anticipate changes in funding and timing of revenue.

Contacting Lighthouse's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of Lighthouse's finances and to reflect Lighthouse's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joseph W. White Jr., President of the Board, 1585 Frederick Blvd, Suite 100, Akron, OH 44320.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Net Assets
June 30, 2009

Assets

Current:

Cash	\$8,750
Receivables:	
Accounts Receivable	3,780
Intergovernmental Receivable	105,807
Security Deposit	<u>400</u>
 Total Current Assets	 118,737

Noncurrent:

Capital Assets:

Non-Depreciable Capital Assets	1,790
Depreciable Capital Assets, Net	<u>39,616</u>
Total Capital Assets	41,406

<i>Total Assets</i>	<u>160,143</u>
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Liabilities

Current Liabilities:

Accounts Payable	70,127
Accrued Wages and Benefits	27,738
Unearned Revenue	14,983
Intergovernmental Payable	43,029
Line of Credit Payable	48,950
Loan Payable	<u>24,000</u>

<i>Total Liabilities</i>	<u>228,827</u>
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Net Assets

Invested in Capital Assets	41,406
Unrestricted (Deficit)	<u>(110,090)</u>

<i>Total Net Assets</i>	<u><u>(\$68,684)</u></u>
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See accompanying notes.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Operating Revenues:

Foundation	\$734,640
Miscellaneous	8,832

<i>Total Operating Revenues</i>	<u>743,472</u>
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Operating Expenses:

Salaries	518,575
Fringe Benefits	219,142
Purchased Services	362,825
Materials and Supplies	122,389
Depreciation	15,005
Other	7,620

<i>Total Operating Expenses</i>	<u>1,245,556</u>
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<i>Operating (Loss)</i>	<u>(502,084)</u>
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Non-Operating Revenues (Expenses):

Donations	1,500
Grants	432,561
Interest Expense	(2,587)

<i>Net Non-Operating Revenues (Expenses)</i>	<u>431,474</u>
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<i>Change in Net Assets</i>	(70,610)
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<i>Net Assets at Beginning of Year</i>	<u>1,926</u>
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<i>Net (Deficit) at End of Year</i>	<u><u>(\$68,684)</u></u>
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See accompanying notes.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State Foundation	\$763,272
Other Cash Receipts	5,368
Cash Payments to Employees for Services	(523,979)
Cash Payments for Employee Benefits	(221,332)
Cash Payments for Goods and Services	(432,619)
Other Cash Payments	(7,870)
	<hr/>

Net Cash (Used for) Operating Activities (417,160)

Cash Flows from Noncapital Financing Activities

Grants Received	401,831
Donations	1,500
Proceeds from Line of Credit	7,049
Principal Payment	(3,266)
Interest Payments	(2,587)
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Net Cash Provided by Noncapital Financing Activities 404,527

Net (Decrease) in Cash and Cash Equivalents (12,633)

Cash and Cash Equivalents Beginning of Year 21,383

Cash and Cash Equivalents End of Year \$8,750

**Reconciliation of Operating (Loss) to Net Cash
(Used for) Operating Activities**

Operating (Loss) (\$502,084)

Adjustments:

Depreciation 15,005

(Increase) in Assets:

Accounts Receivable (3,370)

Increase (Decrease) in Liabilities:

Accounts Payable 47,402

Accrued Wages (8,404)

Intergovernmental Payable 34,291

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Net Cash (Used for) Operating Activities (\$417,160)

See accompanying notes.

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Lighthouse Educational Development Corporation

Summit County, Ohio

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy (the School) is a school as provided for by Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School, which is part of the State's education program, is independent of any school. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

On May 16, 2006, the School signed an agreement with the Richland Academy of Arts to sponsor the School for a five year period beginning on July 1, 2006. The School operates under a self-appointing Board of Trustees (the Board).

The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then-existing trustees. 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 has one instructional/support facility staffed by one non-certified and nine certified full-time teaching personnel who provide services to 89 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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 or contradict 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.

Basis of Presentation

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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/ or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the 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.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. 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.

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Revised 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; however, the budget does not have to follow provisions of Ohio Revised Code Section 5705, except for Section 5705.391 as it relates to five-year forecasts.

Cash

Cash received by the School is maintained in demand deposit and money market accounts. 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.

Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the dates received. The School does not possess any infrastructure. Leasehold improvements are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of leasehold improvements, computers, furniture and equipment is computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. All items with a useful life of one year or greater and a value of \$1,000 or more are capitalized.

Estimated useful lives are as follows:

<u>Capital Asset Classification</u>	<u>Years</u>
Computers and Office Equipment	7
Leasehold Improvements	10
Furniture	10

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues

The School currently participates in several State and Federal programs:

Non-Reimbursable Grants

Management Information Systems

Safe & Drug Free Schools

Idea Part B

Improving Teacher Quality

Title I

Title I – School Improvement

Title II-D

Title V

21st Century

Reimbursable Grants

National School Lunch Program

The School currently participates in the State Foundation Program through the Ohio Department of Education (ODE). Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Grants and entitlements 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

Accrued Liabilities

Obligations, such as wages and benefits due but unpaid, are reported as liabilities in the accompanying financial statements.

Unearned Revenue

Grants received before the eligibility requirements are met are recorded as unearned revenue.

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.

Economic Dependency

The Academy receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2009, the School has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations” which establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of GASB 49 had no material effect on the financial statements of the school.

NOTE 4 - DEPOSITS

At year-end, the bank balance was \$15,353. All of the bank balance is covered by federal depository insurance.

NOTE 5- INTERGOVERNMENTAL RECEIVABLE

All receivables are considered collectible in full, due to the stable condition and the current year guarantee by the State of Ohio. The receivable amount of \$105,807 was determined from claims submitted by the school to the Ohio Department of Education.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A summary of the School's capital assets at June 30, 2009, follows:

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
Capital Assets, Not Being Depreciated:				
Land & Improvements	\$1,790	\$0	\$0	\$1,790
Total Capital Assets, Not Being Depreciated	1,790	0	0	1,790
Capital Assets, Being Depreciated:				
Leasehold Improvements	16,089	0	0	16,089
Fixtures and Equipment	114,346	0	0	114,346
Total Capital Assets, Being Depreciated	130,435	0	0	130,435
Less Accumulated Depreciation:				
Leasehold Improvements	(3,928)	(1,448)	0	(5,376)
Fixtures and Equipment	(71,886)	(13,557)	0	(85,443)
Total Accumulated Depreciation	(75,814)	(15,005)	0	(90,819)
Total Capital Assets, Being Depreciated, net	54,621	(15,005)	0	39,616
Total Capital Assets, net	<u>\$56,411</u>	<u>(\$15,005)</u>	<u>\$0</u>	<u>\$41,406</u>

Lighthouse Educational Development Corporation

Summit County, Ohio

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 7 - PURCHASED SERVICES

For the period July 1, 2008 through June 30, 2009, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$224,841
Property Services	89,132
Travel and Meetings	2,308
Communications	4,901
Utility Services	15,929
Pupil Transportation Services	150
Other Purchased Services	25,564
Total	<u>\$362,825</u>

NOTE 8 - RISK MANAGEMENT

Property and Liability – The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School contracted with a company for property and general liability insurance. Property coverage carries a \$2,500 deductible and has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$1,000,000 in the aggregate with a \$2,500 deductible. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in the past three fiscal years.

Workers Compensation - The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.

NOTE 9 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, and Vision Benefits – The School has contracted with a private carrier to provide employee medical/surgical and dental benefits. The School pays 90% of the monthly premiums and the employee is responsible for the remaining 10%. For fiscal year 2009, the School's and the employee's premiums varied depending on insurance coverage selected, family size and the ages of those covered. The School also has a Section 125 cafeteria plan available for its employees. This is a pretax voluntary supplementary medical benefits program employee funded and employer administrated. The School provides life insurance to all employees through a private carrier. Coverage in the amount of \$15,000 is provided for all certified and non-certified employees.

NOTE 10 - RETIREMENT PLANS

School Employees Retirement System - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 per 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 10 - RETIREMENT PLANS (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits to 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$15,377, \$15,933, and \$8,085, respectively, 96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

State Teachers Retirement System - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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 that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options – 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 a final average salary times a percentage that varies based on years of service, or an allowance based on a 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 the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund a 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 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 of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2009, 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. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$57,980, \$64,549, and \$54,666, respectively; 94.4 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Member and employer contributions made for the DC Plan and the Combined Plan will be provided upon written request.

Lighthouse Educational Development Corporation

Summit County, Ohio

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 10 - RETIREMENT PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS or STRS Ohio.

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS

School Employees Retirement Systems – In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Ohio Revised Code (ORC) 3309.69. Qualified benefit 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 B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96; SERS' reimbursement to retirees was \$46.

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 year 2009, the actuarially required allocation was .75%. Lighthouse Educational Development Corporation's contributions for the years ended June 30, 2009, 2008 and 2007 were \$824, \$774 and \$393 which equaled the required contributions for each year.

ORC 3309.375 and 3309.69 permits 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 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. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Lighthouse Educational Development Corporation's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$4,569, \$3,778, and \$1,917, respectively.

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

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement Systems

Plan Description – 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.

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 fiscal year 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for fiscal years ended June 30, 2009, 2008, and 2007 were \$4,141, \$4,611, and \$3,905 respectively. 100 percent has been contributed for all three years.

NOTE 12 - CONTINGENCIES

GRANTS – The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2009.

ENROLLMENT FTE - The Ohio Department of Education conducts reviews of enrollment 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. Based on ODE's review, there was \$28,632 overfunded to the School by ODE and is booked as an intergovernmental payable.

NOTE 13 – LINE OF CREDIT

During the year, the School had a revolving bank line-of-credit with an interest rate of 7%. In 2006, the School borrowed \$50,000 for operating expenses. At July 1, 2008, the outstanding balance was \$45,167. In 2009, the School took an advance of \$7,049 and repaid a total of \$3,266 from this account and paid interest expense of \$2,587. There is an outstanding liability of \$48,950 for the line-of-credit at June 30, 2009. There is no required repayment schedule.

Lighthouse Educational Development Corporation
Summit County, Ohio
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 14 – MANAGEMENT AGREEMENT

On August 22, 2004, the School contracted with Akron Community School (ACS) to facilitate day-to-day operations of ACS. This includes adopting the educational curriculum, providing teaching, developing and maintain state mandated testing and requirements, and completing all required administrative reports. As of June 30, 2005, the Akron Community School is no longer in operation.

During fiscal year 2005, a \$25,000 cash loan was given by ACS to Lighthouse Academy of which \$24,000 remains outstanding at June 30, 2009 and is reflected on the Statement of Net Assets as “Loan Payable”. There is no written agreement specifying an interest rate or repayment requirements for this loan.

Also, during 2005 Akron Community School paid certain expenses totaling \$548 which should have been paid by Lighthouse Academy in accordance with the management agreement. In addition, the State FTE review resulted in an additional \$10,000 of Foundation Revenue overpayments to Akron Community School from past fiscal years. Akron Community School paid this revenue to Lighthouse Academy as a reimbursement of the management fee, since 100% of revenue was paid to Lighthouse as management fees, this revenue is due back ACS to pay ODE. These amounts are reflected on the Statement of Net Assets as an accounts payable.

The School also had an accounts receivable of \$410 due from ACS from the prior fiscal year that remains unpaid at June 30, 2009.

Summary of amounts due to and (due from) ACS:

	<u>June 30, 2009</u>
Accounts Receivable	(\$410)
Accounts Payable	10,548
Loan Payable	<u>24,000</u>
Net Amount Due to Akron Community School	<u><u>\$34,138</u></u>

NOTE 15 – FISCAL DISTRESS

The School is having difficulties meeting operational expenses. As of June 30, 2009, the School had a net asset (deficit) of (\$68,684).

Management has developed a plan to scrutinize and monitor the School’s expenses on a more regular basis. Management has developed a plan to pay down their line of credit payable.

Management has been working with their new fiscal agent since January 1, 2009 to pay past debts and cut expenses. The new fiscal agent has been providing the Board with monthly financial reports. In addition, management has been working to increase enrollment and applying for additional grants to improve their financial condition.

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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*

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

We have audited the financial statements of Lighthouse Educational Development Corporation, Summit County, Ohio, (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 12, 2010 wherein we noted the School has certain amounts due to Akron Community School. In addition, we noted the School is experiencing financial difficulties. 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the School's management in a separate letter dated April 12, 2010.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 12, 2010.

We intend this report solely for the information and use of management, the Board of Directors, and Richland Academy of the Arts. We intend it for no one other than these specified parties.

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

April 12, 2010

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Finding 2008-001. Payroll Controls - The Assistant Treasurer embezzled \$7,560.98 from the School which was subsequently re-paid by the bank. Payroll bank reconciliations were not being reviewed. Three employees of ILS were improperly paid by the School, reimbursement to the school was made; however, STRS Service Credit was not corrected. We are referring this matter to STRS.	Yes	
2008-002	Finding 2008-002. Intergovernmental Receivables - Receivables were originally understated by \$55,185. The financial statements have been adjusted.	Yes	
2008-003	Akron Community Schools (ACS) Assets and Liabilities - a loan to ACS was not repaid, ACS' assets were not formally purchased, and permission to retain the assets was not obtained from the Ohio Department of Education upon ACS' closure.	No	Partially Corrected. See Management Letter.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Lighthouse Educational Development Corporation (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 7, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the School administration semiannually provide the president of the School board a written summary of all reported incidents and post the summary on its web site, if the School has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and the School's Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 12, 2010



Mary Taylor, CPA
Auditor of State

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION

SUMMIT 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
MAY 18, 2010**