



**STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
MIAMI-DADE COUNTY, FLORIDA**

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

JUNE 30, 2012



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**STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Stellar Leadership Academy, Inc.'s (f/k/a Life Skills Center Miami-Dade County, Inc.) (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The assets of the School exceeded its liabilities at the close of the fiscal year by \$282,981 (net assets). This is an increase from the prior year, when assets of the School exceeded its liabilities by \$155,108.

Revenues from state and local sources decreased 18% (\$407,962), while revenues from federal sources decreased 89% (\$44,431), and other revenue increased 11% (\$3,956) for a net decrease in revenues of 19% (\$448,437). This decrease in revenue was primarily driven by a lower student enrollment, which decreased FEFP revenue and Capital Outlay Grant Revenue, and the loss of Title I grant funding. Expenses decreased 38% (\$1,291,470) primarily due to a lower student count requiring a smaller staff and due to the elimination of facility build-out expenses.

Using this Financial Report

This report consists of three parts - the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

The first two statements - the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.

The remaining statements - the Balance Sheet – Governmental Fund and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by the private sector. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - are one way to measure the School's financial position. Over time, increases or decreases in the

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

School's net assets are an indicator of whether its financial position is improving or deteriorating.

Net Assets

The table below provides a comparative summary of the School's net assets for fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 531,403	\$ 230,859	\$ 300,544
Capital Assets, net	<u>73,494</u>	<u>-</u>	<u>73,494</u>
Total Assets	<u>\$ 604,897</u>	<u>\$ 230,859</u>	<u>\$ 374,038</u>
Liabilities			
Current Liabilities	\$ 272,920	\$ 75,751	\$ 197,169
Long-term Liabilities	<u>48,996</u>	<u>-</u>	<u>48,996</u>
Total Liabilities	<u>321,916</u>	<u>75,751</u>	<u>246,165</u>
Net Assets			
Invested in Capital Assets, Net of Related Obligation	24,498	-	24,498
Unrestricted	<u>258,483</u>	<u>155,108</u>	<u>103,375</u>
Total Net Assets	<u>\$ 282,981</u>	<u>\$ 155,108</u>	<u>\$ 127,873</u>

The increase in current assets is directly related to an increased cash balance and due to WHLS assets being used by the School. Net capital assets increased as a result of a capital purchase in the current year. The increase in current liabilities is due to an increase in management fees payable and due to a deferred revenue for the WHLS assets being used by the School. Long-term liabilities increased as a result of an obligation related to the capital purchase. Unrestricted net assets increased due to the excess of revenues over expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

Change in Net Assets

The table below shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Revenues			
Federal Direct	\$ 5,591	\$ 4,285	\$ 1,306
Federal Sources Passed Through			
Local School District	-	45,737	(45,737)
State and Local Sources	1,900,605	2,308,567	(407,962)
Other Revenue	<u>38,841</u>	<u>34,885</u>	<u>3,956</u>
Total Revenues	<u>1,945,037</u>	<u>2,393,474</u>	<u>(448,437)</u>
Expenses			
Instruction	596,274	800,685	(204,411)
Pupil Personnel Services	82,882	138,807	(55,925)
Instructional Staff Training	50,037	17,990	32,047
Instruction Related Technology	181,584	174,288	7,296
Board	37,284	33,448	3,836
General Administration	131,709	186,593	(54,884)
School Administration	312,901	319,385	(6,484)
Facilities Acquisition and Construction	-	939,640	(939,640)
Fiscal Services	41,456	-	41,456
Transportation	136,882	178,112	(41,230)
Operation of Plant	546,477	625,596	(79,119)
Maintenance of Plant	<u>26,824</u>	<u>21,236</u>	<u>5,588</u>
Total Expenses	<u>2,144,310</u>	<u>3,435,780</u>	<u>(1,291,470)</u>
Special Item			
Expenses Paid by WHLS on Behalf of the School (See Note 7)	<u>327,146</u>	<u>1,056,035</u>	<u>(728,889)</u>
Change in Net Assets	<u>\$ 127,873</u>	<u>\$ 13,729</u>	<u>\$ 114,144</u>

State and local revenue decreased primarily due to a lower student enrollment than the previous year. Federal revenues decreased due to the loss of Title I funding. Total expenses decreased due to a lower student count requiring a smaller staff and due to the elimination of facility build-out expenses included in facilities acquisition and construction. Expenses paid by WHLS on behalf of the School decreased due to the management agreement (see Note 7).

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

A reclassification was made in the 2011 amounts to properly classify architect's invoices totaling approximately \$24,000 from pupil personnel services to facilities acquisition and construction. Also, approximately \$423,000 of facilities rental expense was reclassified from the 2011 classification as facilities acquisition and construction expense to operation of plant for comparability with the 2012 classification.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's governmental funds reported a combined ending unassigned fund balance of \$148,083.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates. The School's final general fund budget estimated a \$177,140 carryover for the following year. Actual results produced a carryover in the general fund of \$258,483.

Actual revenues were approximately \$145,000 less than budgeted amounts due to lower than expected enrollment and a lower per pupil revenue amount from the district. Instruction expenditures were approximately \$246,000 less than budgeted due to some staff turnover that was not immediately replaced. Pupil personnel services were approximately \$44,000 less than budgeted and general administration expenditures were approximately \$43,000 less than budgeted primarily due to the prior management company not providing the level of services as anticipated. Instructional staff training was approximately \$29,000 more than budgeted and fiscal services were approximately \$41,000 more than budgeted, both of which are due to additional outside services that were contracted. School administration was approximately \$133,000 less than budgeted due to decreased spending on advertising and other lower than anticipated costs. Facilities acquisition and construction costs were approximately \$126,000 less than budgeted due to reclassification of building rent and, accordingly, operation of plant was \$204,000 more than budgeted due to the reclassification of building rent between functions and due to additional rent being paid from the general fund as a result of lower than expected capital outlay revenues. Capital outlays were approximately \$74,000 more than budgeted and operating transfers in were approximately \$49,000 greater than budgeted due to unanticipated capital acquisitions. The expenditures paid on behalf of the School by the management company were approximately \$52,000 less than budgeted due to the change in expenditures over revenues prior to termination of the management agreement (see Note 7).

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(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)**

Capital Assets and Long-term Obligations

At the end of fiscal year 2012 the School had \$73,494 invested in capital assets. The table below shows comparative balances of capital assets for fiscal years 2012 and 2011.

	Capital Assets (Net of Depreciation)		Increase
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>
Software	<u>\$ 73,494</u>	<u>\$ -</u>	<u>\$ 73,494</u>

This year's major capital asset addition was for instructional software which totaled \$73,494. The software was acquired via a software license agreement. The School paid \$24,498 on the software license obligation during the year ending June 30, 2012. For more information on capital assets and the software license obligation, see Notes 3 and 4, respectively, in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budget

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2013:

- Projected decrease in student enrollment
- Projected salary increases
- Increases in the cost of benefits

Amounts available for appropriation in the general fund are \$1,558,582, an 11% decrease from the actual 2012 amount of \$1,756,221. This decrease is primarily due to an expected decrease in student enrollment.

Budgeted general fund expenditures are expected to decrease to \$1,517,425, or 25%, from the fiscal 2012 actual figure of \$2,028,988. This decrease is primarily due to decreased expenditures as a result of the expected decrease in student enrollment. The School has added no major new programs to the fiscal 2013 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2013.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Stellar Leadership Academy, Inc. (f/k/a Life Skills Center Miami-Dade County, Inc.) at 7900 NW 27th Avenue, Suite F1, Miami, FL 33142.



**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of Stellar Leadership Academy, Inc.
(f/k/a Life Skills Center Miami-Dade County, Inc.),
a Charter School and Component Unit of the District
School Board of Miami-Dade County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Stellar Leadership Academy, Inc., f/k/a Life Skills Center Miami-Dade County, Inc. (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Stellar Leadership Academy, Inc., f/k/a Life Skills Center Miami-Dade County, Inc., as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 5 and page 22, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKHM, P.A.

Winter Park, Florida
September 4, 2012

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 421,003
Other Assets	110,400
Capital Assets:	
Furniture, Fixtures and Equipment	8,641
Less Accumulated Depreciation	(8,641)
Computer Software	218,151
Less Accumulated Depreciation	<u>(144,657)</u>
Total Capital Assets, net	<u>73,494</u>
Total Assets	<u><u>\$ 604,897</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 7,017
Due to Management Company	160,003
Deferred Revenue	105,900
Long-term Liabilities:	
Portion Due or Payable Within One Year:	
Software License Obligation	24,498
Portion Due or Payable After One Year:	
Software License Obligation	<u>24,498</u>
Total Liabilities	<u>321,916</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Obligation	24,498
Unrestricted	<u>258,483</u>
Total Net Assets	<u>282,981</u>
Total Liabilities and Net Assets	<u><u>\$ 604,897</u></u>

why?

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

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction	\$ 596,274	\$ -	\$ (596,274)
Pupil Personnel Services	82,882	-	(82,882)
Instructional Staff Training	50,037	-	(50,037)
Instruction Related Technology	181,584	5,591	(175,993)
Board	37,284	-	(37,284)
General Administration	131,709	-	(131,709)
School Administration	312,901	-	(312,901)
Fiscal Services	41,456	-	(41,456)
Transportation	136,882	-	(136,882)
Operation of Plant	546,477	-	(546,477)
Maintenance of Plant	26,824	-	(26,824)
Total Governmental Activities	\$ 2,144,310	\$ 5,591	(2,138,719)
General Revenues:			
State and Local Sources			1,900,605
Other Revenues			38,841
Total General Revenues			1,939,446
Special Item:			
Expenses Paid by WHLS on Behalf of the School (See Note 7)			327,146
Change in Net Assets			127,873
Net Assets-Beginning			155,108
Net Assets-Ending			\$ 282,981

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

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2012

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 421,003
Other Assets	110,400
	110,400
Total Assets	\$ 531,403
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 7,017
Due to Management Company	160,003
Deferred Revenue	105,900
	105,900
Total Liabilities	272,920
 FUND BALANCE	
Nonspendable:	
Other Assets	105,900
Deposits Receivable	4,500
Unassigned	148,083
	148,083
Total Fund Balance	258,483
Total Liabilities and Fund Balance	\$ 531,403

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

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Fund	\$ 258,483
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of assets is \$226,792 and the accumulated depreciation is \$153,298.	73,494
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Long-term liabilities, including software license obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.

Long-term liabilities at year-end consist of:

Software License Obligation	<u>(48,996)</u>
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Total Net Assets - Governmental Activities	<u><u>\$ 282,981</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Federal Direct	\$ -	\$ -	\$ 5,591	\$ 5,591
State and Local Sources	1,717,380	183,225	-	1,900,605
Other Revenues	38,841	-	-	38,841
Total Revenues	<u>1,756,221</u>	<u>183,225</u>	<u>5,591</u>	<u>1,945,037</u>
EXPENDITURES				
Current:				
Instruction	596,274	-	-	596,274
Pupil Personnel Services	82,882	-	-	82,882
Instructional Staff Training	50,037	-	-	50,037
Instruction Related Technology	175,993	-	5,591	181,584
Board	37,284	-	-	37,284
General Administration	131,709	-	-	131,709
School Administration	312,901	-	-	312,901
Fiscal Services	41,456	-	-	41,456
Transportation	136,882	-	-	136,882
Operation of Plant	363,252	183,225	-	546,477
Maintenance of Plant	26,824	-	-	26,824
Debt Service:				
Obligation Payments	-	-	24,498	24,498
Capital Outlay	73,494	-	-	73,494
Total Expenditures	<u>2,028,988</u>	<u>183,225</u>	<u>30,089</u>	<u>2,242,302</u>
Deficiency of Revenues Over Expenditures	<u>(272,767)</u>	<u>-</u>	<u>(24,498)</u>	<u>(297,265)</u>
OTHER FINANCING SOURCES (USES)				
Increase in Software License Obligation	-	-	73,494	73,494
Operating Transfer In	48,996	-	-	48,996
Operating Transfer Out	-	-	(48,996)	(48,996)
Total Other Financing Sources (Uses)	<u>48,996</u>	<u>-</u>	<u>24,498</u>	<u>73,494</u>
SPECIAL ITEM				
Expenditures Paid by WHLS on Behalf of the School (See Note 7)	327,146	-	-	327,146
Net Changes in Fund Balances	103,375	-	-	103,375
Fund Balances, July 1, 2011	155,108	-	-	155,108
Fund Balances, June 30, 2012	<u>\$ 258,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,483</u>

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

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Changes In Fund Balances - Governmental Funds \$ 103,375

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays in the current period.

73,494

Increases in software license obligations are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in long-term liabilities in the statement of net assets. This is the amount by which borrowings (\$73,494) exceeded payments (\$24,498) in the current year.

(48,996)

Change In Net Assets Of Governmental Activities

\$ 127,873

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

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY

Stellar Leadership Academy, Inc., formally known as (f/k/a) Life Skills Center Miami-Dade County, Inc. (the "School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes.

~~Until March 31, 2012, the School contracted with WHLS of Florida, LLC ("WHLS") for most of its functions. See Note 7.~~

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the "School Board" or the "District"). The current charter is effective until June 30, 2015 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

The School operates under a self-appointing, three-member Board of Directors (the "Board"). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors.

The School operates in a facility leased by WHLS. The facility was staffed with teaching personnel employed by WHLS until March 31, 2012. See Note 7.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities. As discussed in Note 7, WHLS allowed the assets it was using to operate the School during the year ended June 30, 2012 to continue

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

to be used by the School. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund - to account for the proceeds of capital outlay funds provided to charter schools pursuant to Florida Statutes, Section 1013.62.
- Debt Service Fund - to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and capital projects funds constitute major funds. The special revenue and debt service funds are considered non-major and are presented in the aggregate as the other governmental funds.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(continued)

basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets and the Balance Sheet – Governmental Funds, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

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

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

Capital Assets and Depreciation

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

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over three years for Furniture, Fixtures and Equipment and Computer Software.

Net Assets

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

Fund Balance Spending Policy

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

Income Taxes

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

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

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not"

STELLAR LEADERSHIP ACADEMY, INC.
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2008.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 4, 2012, which is the date the financial statements were available to be issued.

3 CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2012, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 8,641	\$ -	\$ -	\$ 8,641
Computer Software	144,657	73,494	-	218,151
Total Capital Assets Being Depreciated	<u>153,298</u>	<u>73,494</u>	<u>-</u>	<u>226,792</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(8,641)	-	-	(8,641)
Computer Software	(144,657)	-	-	(144,657)
Total Accumulated Depreciation	<u>(153,298)</u>	<u>-</u>	<u>-</u>	<u>(153,298)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ -</u>	<u>\$ 73,494</u>	<u>\$ -</u>	<u>\$ 73,494</u>

There was no depreciation expense during the year ended June 30, 2012.

STELLAR LEADERSHIP ACADEMY, INC.
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

4 SOFTWARE LICENSE OBLIGATION

The School has entered into a software license agreement for its primary instructional software which is the capital asset addition in Note 3. The license agreement requires annual principal payments without interest. The economic substance of the license agreement is that the School is financing the acquisition of the software through the license agreement, and, accordingly, the asset and corresponding obligation are recorded in the School's Statement of Net Assets.

Future minimum payments required by the license agreement as of June 30, 2012 are as follows:

2013	\$ 24,498
2014	24,498
Subtotal	48,996
Less Current Portion	(24,498)
Software License Obligation, Less Current Portion	\$ 24,498

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2012, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,113,676
Class Size Reduction	290,797
Capital Outlay	165,869
Supplemental Academic Instruction	101,766
Discretionary Millage	76,845
ESE Guaranteed Allocation	61,404
Transportation	55,860
Instructional Materials	23,398
Safe Schools	8,789
Science Lab Materials	1,222
Discretionary Lottery Funds	979
Total State and Local Revenue	\$ 1,900,605

The administration fee paid to the School Board during the year ended June 30, 2012 totaled \$69,381, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

STELLAR LEADERSHIP ACADEMY, INC.
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

6 RISK MANAGEMENT

Workers' compensation, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

7 AGREEMENT WITH WHLS

The School has historically entered into an annual Management Agreement ("Agreement") with WHLS, which is an educational consulting and management company. The Agreement has been terminated effective March 31, 2012. Substantially all functions of the School were contracted to WHLS. WHLS was responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School was required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee was paid to WHLS based on the previous month's qualified gross revenues less any fees the School was required to remit to the School Board. The continuing fee earned by WHLS for the year ended June 30, 2012 was \$1,061,919. WHLS was 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. ✓

For the year ended June 30, 2012, WHLS paid expenses to operate the School totaling \$327,146 more than the amounts paid by the School to WHLS, which is included as a special item in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Expenses to operate the School included the direct site expenses of the School and the expenses of the WHLS Florida administrative office, which managed the School's curriculum, human resources, finance/grants management, facilities, marketing, etc. The indirect costs of the Florida administrative office are recorded in the general administration function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

In accordance with the Agreement, substantially all assets used to operate the School were owned by WHLS, other than those recorded as capital assets in the accompanying Statement of Net Assets. Per the separation agreement from WHLS, the assets owned by WHLS, which have a fair market value of approximately \$106,000, will continue to be used by the School. Upon completion of the sublease discussed in Note 8 and subject to certain conditions, WHLS will contribute the title of these assets to the School. As of June 30, 2012, the assets are recorded as a component of other assets and deferred revenue is recorded in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds.

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(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

8 COMMITMENTS AND CONTINGENCES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease Commitments

The School leases its facility under a non-cancelable operating sublease from an entity associated with WHLS ("Teragram"). The sublease expires on June 30, 2013. The sublease requires the School to pay rent, common area maintenance and other costs. If the School remains current on its sublease payments, Teragram will contribute up to a maximum of \$12,131 per month as a rent contribution. The aggregate remaining minimum rental commitment as of June 30, 2012 under the sublease totals approximately \$227,000 to be paid during the year ending June 30, 2013.

Rental expense for the year ended June 30, 2012 totaled approximately \$348,000.

Teragram's rent contribution during the year ended June 30, 2012 totaled \$36,393 and is recorded as other revenues on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Contingent Loss

The lease agreement between Teragram and the landlord gives Teragram the right to terminate the lease as of June 30, 2013 if the Agreement is terminated, provided that Teragram pay a termination fee. In addition, Teragram is required to pay a restoration fee if the lease is not renewed for the period July 1, 2015 through June 30, 2020. If Teragram terminates the lease on June 30, 2013, the sublease requires the School to pay the termination and restoration fees. If the School remains current on its sublease payments, Teragram will pay 50% of the termination and restoration fees. The identified termination and restoration costs as of June 30, 2013 are expected to total approximately \$164,000. There are additional components of the termination costs that are required to be paid, however, an estimate of the additional costs cannot be made.

STELLAR LEADERSHIP ACADEMY, INC.
(f/k/a LIFE SKILLS CENTER MIAMI-DADE COUNTY, INC.)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$ 1,901,075	\$ 1,901,075	\$ 1,717,380	\$ (183,695)
Other Revenues	200	200	38,841	38,641
Total Revenues	<u>1,901,275</u>	<u>1,901,275</u>	<u>1,756,221</u>	<u>(145,054)</u>
EXPENDITURES				
Instruction	842,550	842,550	596,274	246,276
Pupil Personnel Services	126,996	126,996	82,882	44,114
Instructional Staff Training	21,500	21,500	50,037	(28,537)
Instruction Related Technology	162,960	162,960	175,993	(13,033)
Board	35,000	35,000	37,284	(2,284)
General Administration	175,054	175,054	131,709	43,345
School Administration	446,310	446,310	312,901	133,409
Facilities Acquisition and Construction	125,745	125,745	-	125,745
Fiscal Services	-	-	41,456	(41,456)
Transportation	143,000	143,000	136,882	6,118
Operation of Plant	159,184	159,184	363,252	(204,068)
Maintenance of Plant	20,000	20,000	26,824	(6,824)
Capital Outlay	-	-	73,494	(73,494)
Total Expenditures	<u>2,258,299</u>	<u>2,258,299</u>	<u>2,028,988</u>	<u>229,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(357,024)</u>	<u>(357,024)</u>	<u>(272,767)</u>	<u>84,257</u>
OTHER FINANCING SOURCES				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>48,996</u>	<u>48,996</u>
SPECIAL ITEM				
Expenditures Paid by WHLS on Behalf of the School (See Note 7)	<u>379,056</u>	<u>379,056</u>	<u>327,146</u>	<u>(51,910)</u>
Net Changes in Fund Balances	22,032	22,032	103,375	81,343
Fund Balance, July 1, 2011	<u>155,108</u>	<u>155,108</u>	<u>155,108</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ 177,140</u>	<u>\$ 177,140</u>	<u>\$ 258,483</u>	<u>\$ 81,343</u>

See report of independent auditors.

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Stellar Leadership Academy, Inc.
(f/k/a Life Skills Center Miami-Dade County, Inc.),
a Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Stellar Leadership Academy, Inc., f/k/a Life Skills Center Miami-Dade County, Inc. (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described below that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

2012-01 Financial Statement Reporting: During our audit procedures, we identified several instances where expenses were not coded to the proper *Florida Red Book* function or were inappropriately expensed, which required adjustment. In addition, adjustments were required to assets, liabilities, revenues and expenses to record certain transactions that were not included in the School's accounting records. It was noted that nearly all of our adjustments related to transactions that were entered into in anticipation of or as a result of the termination of the management agreement with WHLS of Florida, LLC. As a result, there is a significant deficiency in the School's ability to prepare financial statements that are free from material misstatement.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

2012-02 Parent Liaison Attendance at Board Meetings: Florida Statutes require that the individual appointed to facilitate parental involvement ("parent liaison") be physically present at each Board meeting. During our audit procedures, we noted that the parent liaison did not attend any of the Board meetings during the year.

The School's response to the findings identified in our audit is included in the written statement of explanation or rebuttal on page 28. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management of the School, others within the entity, the District School Board of Miami-Dade County, Florida, the Florida Department of Education and the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 4, 2012

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Stellar Leadership Academy, Inc.,
(f/k/a Life Skills Center Miami-Dade County, Inc.),
a Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Stellar Leadership Academy, Inc., f/k/a Life Skills Center Miami-Dade County, Inc. (the "School"), as of and for the year ended June 30, 2012, and have issued our report thereon dated September 4, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 4, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are

likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Stellar Leadership Academy, Inc., f/k/a Life Skills Center Miami-Dade County, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2012, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors and the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 4, 2012



Stellar Leadership Academy, Inc.

7900 NW 27th Avenue, Suite# F1, Miami, Florida 33142
Telephone: 305.643.9111 • Facsimile: 305.643.9141 • www.leadership-academies.org

September 5, 2012

Board Members

Dannie McMillon
President

BKHM
1560 Orange Avenue
Suite 600

Dr. Reggie R. Lewis
Vice President

Winter Park, FL 32789

Jose Loreda, Esq.
Treasurer

We are providing the following as our formal response to the matters noted in the financial audit for Stellar Leadership Academy, Inc., for the year ended June 30, 2012.

2012-01 Financial Statement Reporting: During our audit procedures, we identified several instances where expenses were not coded to the proper Florida Red Book function or were inappropriately expensed, which required adjustment. In addition, adjustments were required to assets, liabilities, revenues and expenses to record certain transactions that were not included in the School's accounting records. It was noted that nearly all of our adjustments related to transactions that were entered into in anticipation of or as a result of the termination of the management agreement with WHLS. As a result, there is a significant deficiency in the School's ability to prepare financial statements that are free from material misstatement.

School Response - The school acknowledges that there are adjustments required as a result of the integration of records from the former management company and the current new management company. The new management company will review our current procedures to insure proper financial statement reporting.

2012-02 Parent liaison attendance at Board meetings: Florida statutes require that the individual appointed to facilitate parental involvement ("parent liaison") be physically present at each Board meeting. During our audit procedures, we noted that the parent liaison did not attend any of the Board meetings during the year.

School Response - The school understands both the requirement and importance of the parent liaison attending the Board meetings. We will emphasize the importance to the new parent liaison and replace if necessary due to non-attendance.

Respectfully,

Board of Directors
Stellar Leadership Academy, Inc.