





INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
North Point Lighthouse Charter School

We have examined the suitability of the design of North Point Lighthouse Charter School's ("NPLCS") internal control over financial reporting to prevent or detect and correct material misstatements in its financial statements on a timely basis as of March 3, 2011 based on the NPLCS Financial Policies and Procedures Manual. NPLCS's management is responsible for the suitable design of Internal control over financial reporting. Our responsibility is to express an opinion on the design of internal control based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over financial reporting, evaluating the design of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Because operations had not begun as of March 3, 2011, we could not confirm that the specified controls were implemented. Accordingly, our report solely addresses the suitability of the design of the NPLCS's internal control and does not address whether the controls were implemented. Furthermore, because the specified controls have not yet been implemented, we were unable to test, and did not test, the operating effectiveness of NPLCS's internal control over financial reporting as of March 3, 2011, and, accordingly, we express no opinion on operating effectiveness.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may not be implemented as intended when operations begin or may become inadequate because of changes in conditions.

In our opinion, NPLCS's internal control over financial reporting was suitably designed, in all material respects, to prevent or detect and correct material misstatements in the financial statements on a timely basis as of March 3, 2011, based on the NPLCS Financial Policies and Procedures Manual.

March 3, 2011

SVA Certified Public Accountants, s.c.



INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
North Point Lighthouse Charter School

We have examined management's forecast (represented by fiscal year 2011-2016 budgets with reduced enrollment sensitivity analyses) for North Point Lighthouse Charter School ("NPLCS"). NPLCS's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

Management of NPLCS has elected to portray forecasted revenue predicated upon forecasted enrollments of 235 students in fiscal year 2012 increasing an average of 15% per year through fiscal year 2016 at a rate of \$7,775 per student as well as sensitivity analyses showing adjusted budgets and plans for each year if enrollment falls 15-30% below the base forecasted enrollment figures, rather than as a single point estimate. Accordingly, the forecast presents faculty levels and costs, class sizes and related aides needed, as well as all variable expenses adjusted reasonably based upon the various enrollment scenarios. However, there is no assurance that the actual enrollment and costs will fall within the range presented.

Key components of the forecast which are not variable in nature include:

- 1) Public Charter School Grants expected of \$200,000 in fiscal year 2011 and \$150,000 in fiscal years 2012 and 2013.
- 2) Occupancy rent costs are reflected as fixed at \$350,000 each year. That forecasted cost includes debt service on an anticipated \$1.8 million leveraged investment in the building and school build-out by NPLCS, of which financing is to be provided from an outside developer with a limited guarantee from Lighthouse Academies, a related party.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast, as well as a reasonable basis for planning, budgeting and reporting as the plan is implemented. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

March 3, 2011

SVA Certified Public Accountants, s.c.



February 10, 2011

North Point Lighthouse Charter School
c/o Lighthouse Academies
1661 Worchester Road, Suite 207
Framingham, MA 01701

Attn: Bob Stearns

We are pleased to confirm our understanding of the services we are to provide for North Point Lighthouse Charter School for the fiscal year ended June 30, 2013.

We will audit the statement of financial position of North Point Lighthouse Charter School as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended. Also, the following additional information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audit of the financial statements:

- Supplementary Information required by the City of Milwaukee regarding Charter Schools

AUDIT OBJECTIVES

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of the Wisconsin Provider Agency Audit Guide (if applicable), and City of Milwaukee Charter School contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of management, the body of individuals charged with governance, others within the organization, specific legislative or regulatory bodies, federal awarding agencies and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports.

If our opinion on the financial statements or the Single Audit compliance opinions are other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

MANAGEMENT RESPONSIBILITIES

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements. As part of the audit, we will assist with preparation of your financial statements, supplementary information, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, supplementary information and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and supplementary information and that you have reviewed and approved the financial statements, supplementary information and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the organization complies with applicable laws, regulations, contracts, agreements and grants.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

AUDIT PROCEDURES - GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the organization or to acts by management or employees on behalf of the organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws and regulations that do not have a direct and material effect on the financial statements or on programs subject to Single Audit procedures. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any other violations of laws or regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

AUDIT PROCEDURES - INTERNAL CONTROL

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of North Point Lighthouse Charter School's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

John T. Himmeispach CPA CITP is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter, however, our audit ends on delivery of our report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Individual hourly rates vary according to the degree of responsibility involved and the skill required. Our fees for this engagement are expected to be between the range of \$15,000-\$20,000. Monthly bills will be submitted as services are rendered and as expenses are incurred. Billings are due upon submission. An interest charge of 1% per month (12% annual rate) will be assessed on accounts not paid within 30 days of the billing date.

The estimated fees are based on the timing of the services we provide (assumed to be between April 2013 – September 2013 and on your staff providing information to us as requested

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comments received during the period of the contract. Our 2010 peer review report accompanies this letter.

Certain additional reviews and other procedures are required under our quality control system whenever our reports are included or we are named as accountants, auditors or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, North Point Lighthouse Charter School agree that North Point Lighthouse Charter School will not include our reports, or otherwise make reference to us in any public or private securities offering without first obtaining our consent. North Point Lighthouse Charter School also agrees to provide us with printer's proofs or masters of such offering documents for review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed.

If, during the course of our engagement, we provide financial statements or financial information intended to be used for discussion purposes with management, they will be stamped "Preliminary Draft" and are restricted to North Point Lighthouse Charter School's internal use only. This information is subject to change and is not to be copied or distributed. We also ask that these preliminary drafts be destroyed when you have finished with them.

North Point Lighthouse Charter School
Page 6
February 10, 2011

The parties agree that any controversy or claim arising out of or relating to the services provided pursuant to this engagement letter agreement shall be determined by arbitration in accordance with the applicable Arbitration Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association; and judgment on the award rendered by the arbitrator(s) may be rendered in any court of competent jurisdiction.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



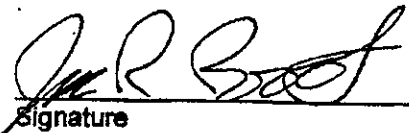
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s:\no\newe-sud(ras).jh

Encl.

RESPONSE:

This letter correctly sets forth the understanding of North Point Lighthouse Charter School.



Signature

March 1, 2011

Date

CHICAGO LIGHTHOUSE CHARTER SCHOOL
(dba BRONZEVILLE LIGHTHOUSE CHARTER SCHOOL)

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

CHICAGO LIGHTHOUSE CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have audited the accompanying statement of financial position of CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School"), as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHICAGO LIGHTHOUSE CHARTER SCHOOL as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated September 13, 2010, on our consideration of CHICAGO LIGHTHOUSE CHARTER SCHOOL's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "Haran & Associates Ltd", written over a horizontal line.

HARAN & ASSOCIATES LTD

September 13, 2010

HARAN & ASSOCIATES LTD

3201 Old Glenview Road - Suite 250
Wilmette, Illinois 60091
p 847.853.1234 / f 847.853.1270

2930 S. Michigan Avenue - Suite 104
Chicago, Illinois 60616
p 312.225.0400 / f 312.225.1483

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

A S S E T S

Cash and cash equivalents (Note 1)	\$ 974,154
Accounts receivable (Note 2)	55,000
Prepaid expenses	11,279
Fixed assets - net (Notes 1 and 3)	<u>19,203</u>
Total assets	<u>\$ 1,059,636</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 19,936
Accrued expenses	<u>223,835</u>
Total liabilities	\$ 243,771
Net assets - unrestricted	<u>815,865</u>
Total liabilities and net assets	<u>\$ 1,059,636</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES	
Per pupil allocation	\$ 2,932,568
Special education	212,607
SGSA allocation	309,932
Title I allocation	139,951
Title II allocation	25,135
Interest income	350
Miscellaneous income	<u>37,774</u>
Total revenues	<u>\$ 3,658,317</u>
EXPENSES	
Educational services	\$ 2,804,647
Management and general	559,453
Fundraising	<u>6,951</u>
Total expenses	<u>\$ 3,371,051</u>
Change in net assets	\$ 287,266
Net assets at beginning of year	<u>528,599</u>
Net assets at end of year	<u>\$ 815,865</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Educational Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,873,083	\$ 57,129	\$ -	\$ 1,930,212
Employee benefits	409,873	12,676	-	422,549
Staff development and recruitment	64,639	-	-	64,639
Academic services - Lighthouse Academies	-	281,135	-	281,135
Professional services	15,778	77,128	-	92,906
Classroom, kitchen and office supplies	146,872	39,784	-	186,656
Occupancy	279,928	31,103	-	311,031
Property and textbook rental	4,243	471	-	4,714
Depreciation	5,575	619	-	6,194
Other	<u>4,656</u>	<u>59,408</u>	<u>6,951</u>	<u>71,015</u>
Totals	<u>\$ 2,804,647</u>	<u>\$ 559,453</u>	<u>\$ 6,951</u>	<u>\$ 3,371,051</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 287,266
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	6,194
Decrease (increase) in:	
Accounts receivables	(2)
Prepaid expenses	(7,582)
Increase (decrease) in:	
Accounts payable	11,044
Accrued expenses	<u>9,620</u>
Net cash provided by (used in) operating activities	<u>\$ 306,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>\$ (19,618)</u>
Net cash provided by (used in) investing activities	<u>\$ (19,618)</u>
Net increase (decrease) in cash	\$ 286,922
Cash at beginning of year	<u>687,232</u>
Cash at end of year	<u>\$ 974,154</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	<u>\$ -</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHICAGO LIGHTHOUSE CHARTER SCHOOL (dba Bronzeville Lighthouse Charter School) is a not-for-profit organization incorporated under the laws of the State of Illinois on November 15, 2004. The School received a charter to operate a charter school pursuant to the State of Illinois Charter Schools Law. The charter is for the period July 1, 2006 through June 30, 2011.

The School is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted - Net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - Net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient.

Revenues and expenses:

Revenues and expenses are recorded on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

All public support is considered to be available for unrestricted use unless restricted specifically by the donor or funding agency. At its discretion, the Board of Directors may designate certain funds for specific purposes. Contributions and grants restricted by the donors, grantors or other outside parties are reported as temporarily or permanently restricted revenue, as applicable, when granted or pledged to the School.

Operating expenses directly identifiable with a functional area are charged to that area, and where expenses affect more than one area, they are allocated on a basis determined by management.

CHICAGO LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents:

The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fixed assets:

Fixed asset purchases with an individual cost of \$5,000 or greater are capitalized by the School and depreciated on the straight-line method over their respective estimated useful lives.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Income taxes:

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal income tax.

Date of Management's Review:

Subsequent events have been evaluated through September 13, 2011, which is the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

The School is entitled to reimbursement by the Chicago Public Schools for special education teacher salaries. The amount of \$55,000 represents the fourth quarter reimbursement.

NOTE 3 - FIXED ASSETS

Fixed assets reported on the statement of financial position at June 30, 2010, are comprised of the following:

Computer equipment (5 years)	\$ 30,968
Less: Accumulated depreciation	<u>(11,765)</u>
Net fixed assets	<u>\$ 19,203</u>

CHICAGO LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 4 - RELATED PARTY

The School is a party to a contract with Lighthouse Academies, Inc., that authorizes Lighthouse Academies, Inc., to undertake the management, operation and administration of the School on behalf of the School. The contract, which expires June 30, 2011, calls for a service fee equal to 7.5% of per pupil and federal revenues to be paid to Lighthouse Academies, Inc. Service fees paid to Lighthouse Academies, Inc., for the year ended June 30, 2010, totaled \$271,717. Additionally, under the terms of the contract the School is required to repay Lighthouse Academies, Inc. for all expenses incurred on behalf of the School.

NOTE 5 - CHARTER SCHOOL LEASE AGREEMENT

The School has entered into a lease agreement with the Board of Education of the City of Chicago (the "Board") to occupy a building located at 8 West Root Street, Chicago, Illinois. The term of the lease is from July 1, 2006 through June 30, 2011. The lease calls for an annual rent payment of \$1 to be paid to the Board. In addition to the rent payment, the lease calls for the School to reimburse the Chicago Public Schools for operating expenses incurred in maintaining the space provided.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The members of the School's staff are employees of Lighthouse Academies, Inc., and, as such, participate in Lighthouse Academies, Inc.'s 401(k) qualified retirement plan. Full-time and part-time employees 18 years and older are eligible to participate in the plan during the first full month of employment.

Under the terms of the plan, employer contributions are made under the discretion of the Lighthouse Academies, Inc.'s Board of Directors. During the fiscal year ended June 30, 2010, discretionary contributions of \$7,754 were made. The amount of \$4,190 has been accrued at June 30, 2010 for future discretionary contributions.

In addition to the 401(k) plan described above, certified teachers at the School participate in the Chicago Teachers Pension Fund, into which they make contributions of 9% of their salaries.

NOTE 7 - CONCENTRATIONS

The School receives a substantial portion of its revenue from the Board under a five-year charter agreement, which will expire on June 30, 2011. Under terms of the charter, the Board may revoke the School's charter for material violations of the law and the terms of the charter agreement, or if the School fails to meet goals and student academic achievement expectations. The school intends on renewing the charter for an additional five year term.

The School maintains cash deposits in a bank where deposits are insured by the Federal Deposit Insurance Corporation for up to \$250,000. As of June 30, 2010, amounts on deposit exceeded insured limits by \$476,496. The School has experienced no losses in relation to deposits in excess of insured limits.



REPORT 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
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have audited the financial statements of CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School") (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon, dated September 13, 2010. 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

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 opinion 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.



REPORT 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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Directors, other within the entity, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Haran & Associates Ltd".

HARAN & ASSOCIATES LTD

September 13, 2010



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS
PRESCRIBED BY ADMINISTERING AGENCY

To the Board of Directors
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have examined management's assertion that CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School") complied with the laws and regulations listed in the second paragraph of this report for the year ended June 30, 2010, which were provided by the School's administering agency, the Chicago Public Schools ("CPS"). Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

The applicable laws and regulations agreed to by the School and CPS included the following:

- Open Meetings Act (5 ILCS 120/1.01 et. seq.)
- Criminal Background Investigations (105 ILCS 5/10-21.9)
- Students Records Act (105 ILCS 10)
- Administration of Medication (105 ILCS 5/10-22.2 1b)
- Hazardous Materials Training (105 ILCS 5/10-120.17a)
- School Safety Drill Act (105 ILCS 128/1 et. seq.)
- Abused and Neglected Child Reporting Act (325 ILCS 5/1 et. seq.)
- Eye Protection Act (105 ILCS 115/1)
- Toxic Art Supplies in Schools Act (105 ILCS 135/5)
- Infectious Disease Policies and Rules (105 ILCS 5/10-21.11)
- Governance and Operation (Charter School Agreement)
- Management and Financial Controls (Charter School Agreement)
- Open Enrollment and Lottery Process (Charter School Agreement)
- Maintenance of Corporate Status and Good Standing (Charter School Agreement)
- Payments for pensions, payroll taxes, insurance coverage and debt service payments (Charter School Agreement)

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the School's compliance with specified requirements.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS
PRESCRIBED BY ADMINISTERING AGENCY (CONTINUED)

In our opinion, management's assertion that CHICAGO LIGHTHOUSE CHARTER SCHOOL complied with the laws and regulations listed above for the year ended June 30, 2010, is fairly stated, in all material aspects.

This report is intended solely for the information and use of management, the Board of Directors and the Chicago Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Haran & Associates Ltd".

HARAN & ASSOCIATES LTD

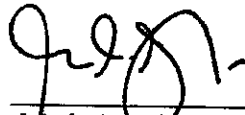
September 13, 2010

**ACTION BY THE BOARD OF DIRECTORS OF
CHICAGO LIGHTHOUSE CHARTER SCHOOL**

Approval of the Annual Audit Report

The undersigned, **Mark Angelini**, being the duly elected, qualified and acting agent of the Chicago Lighthouse Charter School, an Illinois not for profit corporation, HEREBY CERTIFIES THAT (i) attached hereto is true, correct, and complete copy of this year's Chicago Lighthouse Charter School Audit Report, (ii) said report has been reviewed and approved by the Board of Directors as of 10/26/10 and (ii) such Chicago Lighthouse Charter School, has not been amended or modified.

IN WITNESS WHEREOF, the undersigned has hereunto set his/her hand the 26th day of October, 2010.



Mark Angelini, Chair

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

CHICAGO LIGHTHOUSE CHARTER SCHOOL
(dba BRONZEVILLE LIGHTHOUSE CHARTER SCHOOL)

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

CHICAGO LIGHTHOUSE CHARTER SCHOOL

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

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**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have audited the accompanying statement of financial position of CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School"), as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHICAGO LIGHTHOUSE CHARTER SCHOOL as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated September 13, 2010, on our consideration of CHICAGO LIGHTHOUSE CHARTER SCHOOL's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

HARAN & ASSOCIATES LTD

September 13, 2010

HARAN & ASSOCIATES LTD

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CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

A S S E T S

Cash and cash equivalents (Note 1)	\$ 974,154
Accounts receivable (Note 2)	55,000
Prepaid expenses	11,279
Fixed assets - net (Notes 1 and 3)	<u>19,203</u>
Total assets	<u>\$ 1,059,636</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 19,936
Accrued expenses	<u>223,835</u>
Total liabilities	\$ 243,771
Net assets - unrestricted	<u>815,865</u>
Total liabilities and net assets	<u>\$ 1,059,636</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

REVENUES	
Per pupil allocation	\$ 2,932,568
Special education	212,607
SGSA allocation	309,932
Title I allocation	139,951
Title II allocation	25,135
Interest income	350
Miscellaneous income	<u>37,774</u>
Total revenues	<u>\$ 3,658,317</u>
EXPENSES	
Educational services	\$ 2,804,647
Management and general	559,453
Fundraising	<u>6,951</u>
Total expenses	<u>\$ 3,371,051</u>
Change in net assets	\$ 287,266
Net assets at beginning of year	<u>528,599</u>
Net assets at end of year	<u>\$ 815,865</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

	<u>Educational Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,873,083	\$ 57,129	\$ -	\$ 1,930,212
Employee benefits	409,873	12,676	-	422,549
Staff development and recruitment	64,639	-	-	64,639
Academic services - Lighthouse Academies	-	281,135	-	281,135
Professional services	15,778	77,128	-	92,906
Classroom, kitchen and office supplies	146,872	39,784	-	186,656
Occupancy	279,928	31,103	-	311,031
Property and textbook rental	4,243	471	-	4,714
Depreciation	5,575	619	-	6,194
Other	<u>4,656</u>	<u>59,408</u>	<u>6,951</u>	<u>71,015</u>
Totals	<u>\$ 2,804,647</u>	<u>\$ 559,453</u>	<u>\$ 6,951</u>	<u>\$ 3,371,051</u>

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

CHICAGO LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 287,266
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	6,194
Decrease (increase) in:	
Accounts receivables	(2)
Prepaid expenses	(7,582)
Increase (decrease) in:	
Accounts payable	11,044
Accrued expenses	<u>9,620</u>
Net cash provided by (used in) operating activities	<u>\$ 306,540</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	\$ <u>(19,618)</u>
Net cash provided by (used in) investing activities	<u>\$ (19,618)</u>

Net increase (decrease) in cash	\$ 286,922
Cash at beginning of year	<u>687,232</u>
Cash at end of year	<u>\$ 974,154</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>-</u>
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The accompanying notes are an integral part of this financial statement.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHICAGO LIGHTHOUSE CHARTER SCHOOL (dba Bronzeville Lighthouse Charter School) is a not-for-profit organization incorporated under the laws of the State of Illinois on November 15, 2004. The School received a charter to operate a charter school pursuant to the State of Illinois Charter Schools Law. The charter is for the period July 1, 2006 through June 30, 2011.

The School is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted - Net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - Net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient.

Revenues and expenses:

Revenues and expenses are recorded on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

All public support is considered to be available for unrestricted use unless restricted specifically by the donor or funding agency. At its discretion, the Board of Directors may designate certain funds for specific purposes. Contributions and grants restricted by the donors, grantors or other outside parties are reported as temporarily or permanently restricted revenue, as applicable, when granted or pledged to the School.

Operating expenses directly identifiable with a functional area are charged to that area, and where expenses affect more than one area, they are allocated on a basis determined by management.

CHICAGO LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents:

The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fixed assets:

Fixed asset purchases with an individual cost of \$5,000 or greater are capitalized by the School and depreciated on the straight-line method over their respective estimated useful lives.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Income taxes:

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal income tax.

Date of Management's Review:

Subsequent events have been evaluated through September 13, 2011, which is the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

The School is entitled to reimbursement by the Chicago Public Schools for special education teacher salaries. The amount of \$55,000 represents the fourth quarter reimbursement.

NOTE 3 - FIXED ASSETS

Fixed assets reported on the statement of financial position at June 30, 2010, are comprised of the following:

Computer equipment (5 years)	\$ 30,968
Less: Accumulated depreciation	<u>(11,765)</u>
Net fixed assets	<u>\$ 19,203</u>

CHICAGO LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

NOTE 4 - RELATED PARTY

The School is a party to a contract with Lighthouse Academies, Inc., that authorizes Lighthouse Academies, Inc., to undertake the management, operation and administration of the School on behalf of the School. The contract, which expires June 30, 2011, calls for a service fee equal to 7.5% of per pupil and federal revenues to be paid to Lighthouse Academies, Inc. Service fees paid to Lighthouse Academies, Inc., for the year ended June 30, 2010, totaled \$271,717. Additionally, under the terms of the contract the School is required to repay Lighthouse Academies, Inc. for all expenses incurred on behalf of the School.

NOTE 5 - CHARTER SCHOOL LEASE AGREEMENT

The School has entered into a lease agreement with the Board of Education of the City of Chicago (the "Board") to occupy a building located at 8 West Root Street, Chicago, Illinois. The term of the lease is from July 1, 2006 through June 30, 2011. The lease calls for an annual rent payment of \$1 to be paid to the Board. In addition to the rent payment, the lease calls for the payment of \$775 per student per year, to cover the operating expenses for which the Board is responsible.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The members of the School's staff are employees of Lighthouse Academies, Inc., and, as such, participate in Lighthouse Academies, Inc.'s 401(k) qualified retirement plan. Full-time and part-time employees 18 years and older are eligible to participate in the plan during the first full month of employment.

Under the terms of the plan, employer contributions are made under the discretion of the Lighthouse Academies, Inc.'s Board of Directors. During the fiscal year ended June 30, 2010, discretionary contributions of \$7,754 were made. The amount of \$4,190 has been accrued at June 30, 2010 for future discretionary contributions.

In addition to the 401(k) plan described above, certified teachers at the School participate in the Chicago Teachers Pension Fund, into which they make contributions of 9% of their salaries.

NOTE 7 - CONCENTRATIONS

The School receives a substantial portion of its revenue from the Board under a five-year charter agreement, which will expire on June 30, 2011. Under terms of the charter, the Board may revoke the School's charter for material violations of the law and the terms of the charter agreement, or if the School fails to meet goals and student academic achievement expectations. The school intends on renewing the charter for an additional five year term.

The School maintains cash deposits in a bank where deposits are insured by the Federal Deposit Insurance Corporation for up to \$250,000. As of June 30, 2010, amounts on deposit exceeded insured limits by \$476,496. The School has experienced no losses in relation to deposits in excess of insured limits.



TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

REPORT 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
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have audited the financial statements of CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School") (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon, dated September 13, 2010. 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

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 opinion 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.



TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

REPORT 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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Directors, other within the entity, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

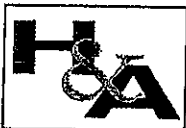
HARAN & ASSOCIATES LTD

September 13, 2010

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TENTATIVE AND PRELIMINARY
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS
PRESCRIBED BY ADMINISTERING AGENCY

To the Board of Directors
CHICAGO LIGHTHOUSE CHARTER SCHOOL
Chicago, Illinois

We have examined management's assertion that CHICAGO LIGHTHOUSE CHARTER SCHOOL (the "School") complied with the laws and regulations listed in the second paragraph of this report for the year ended June 30, 2010, which were provided by the School's administering agency, the Chicago Public Schools ("CPS"). Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

The applicable laws and regulations agreed to by the School and CPS included the following:

- Open Meetings Act (5 ILCS 120/1.01 et. seq.)
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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the School's compliance with specified requirements.



**TENTATIVE AND PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS
PRESCRIBED BY ADMINISTERING AGENCY (CONTINUED)**

In our opinion, management's assertion that CHICAGO LIGHTHOUSE CHARTER SCHOOL complied with the laws and regulations listed above for the year ended June 30, 2010, is fairly stated, in all material aspects.

This report is intended solely for the information and use of management, the Board of Directors and the Chicago Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

HARAN & ASSOCIATES LTD

September 13, 2010

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