



September 5, 2010

Christian School Faces Tax and Foreclosure Problems

The Summit Christian School in Palm Beach County is facing a foreclosure on its property by a credit union to whom the school owes \$9.3 million. Circuit Judge Meenu Sasser will hear the request by the credit union to foreclose the premises on October 5.

If that were not enough, the school has another serious problem. It has not been paying its taxes for the year ended March 31, so the IRS has slapped a \$606,000 tax lien on it. Summit school headmaster Sam Skelton has acknowledged that the 38-year old school, situated at Summit Boulevard and Haverhill Road is facing massive challenges.

Two individuals had said they would help bail the school out of its mounting financial problems. The first who promised to raise \$2 million to \$3 million ended up in the Palm Beach County Jail on charges of fraud. The second who was Jeff Lee, described by headmaster Skelton as a 'blessing', turned out to be behind several land deals that resulted in former Palm Beach County Commissioner Tony Masilotti being imprisoned for 5 years.

So the school found itself back in square one. Added to its debt problems, the school's enrolment numbers were also declining. The school has students from pre-school age to the 12th grade but has seen its student numbers drastically fall from a high of 900 students to 610 last year. This resulted in a loss of about \$400,000 in revenue for the school.

Headmaster Skelton, a Liberty University business graduate who took charge of the school in 2004, said the school's problems were severe but not new. Skelton insisted that the school was already in bad shape when he took over. Nevertheless the steps taken since then to overcome the school's financial problems were seen as questionable.

In 2006, Jeff Lee bought the school for \$7.5 million through a company he owned. At the same time, Lee was behind two land deals that prosecutors say enriched Masilotti

by several million dollars. Lee and his brother agreed to cooperate with the prosecutors in investigating Masilotti in exchange for immunity from prosecution.

In 2008, the school obtained a mortgage for \$9.3 million from the credit union and bought the land back from Lee for \$9 million. Lee insisted that he returned the difference of \$1.5 million profit back to the school as a gift. But Summit Christian's tax returns recorded the \$1.5 million as 'a loss on mortgage refinance'. This resulted in the IRS action against the school.