CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY
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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
1417 East 36th Street
Cleveland, Ohio 44114

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cleveland Entrepreneurship Preparatory School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Cleveland Entrepreneurship Preparatory School, Cuyahoga County, Ohio, as of June 30, 2009, and the changes in its financial position 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 December 7, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2009

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

Our discussion and analysis of the Cleveland Entrepreneurship Preparatory School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999.

Financial Highlights

- Total assets were $3,050,986 and $942,542 at June 30, 2009 and 2008, respectively.
- Total liabilities were $2,385,058 and $359,139 at June 30, 2009 and 2008, respectively.
- The School had net assets of $665,928 and $583,403 at June 30, 2009 and 2008, respectively.
- Net income for the year ended June 30, 2009 was $82,525.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenue, Expenditures, and Changes in Net Assets and a Statement of Cash Flows.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The basic financial statements report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Net Assets report the School's net assets and changes in them. The statements provide the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations.

Statement of Net Assets

	2009	2008
Current Assets	$ 113,225	$ 448,381
Capital Assets, Net	2,937,761	210,696
Prepaid Rent	-	283,465
Total Assets	**3,050,986**	**942,542**
Current Liabilities	194,138	359,139
Non-current Liabilities -Long-term Debt	2,190,920	-
Total Liabilities	**2,385,058**	**359,139**
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	620,700	210,696
Unrestricted	45,228	372,707
Total Net Assets	**$ 665,928**	**$ 583,403**

Current assets consisted of cash, federal grants receivable and a receivable from another school while current liabilities consisted of the current portion of long-term debt, accounts payable due to various vendors and accrued pension expense at June 30, 2009. Current assets consisted of federal and private grants receivable and prepaid rent, and current liabilities consisted of accounts payable due to various vendors and a temporary bank overdraft at June 30, 2008.

Capital assets represented 96.3% and 22.4% of total assets at June 30, 2009 and 2008, respectively. Capital assets consisted of building improvements and furniture, fixtures and equipment. There was $2,923,657 of building improvements before depreciation and $2,317,061 of debt related to building improvements at June 30, 2009 because the School moved to a newly renovated facility in 2009. There was $283,465 of non-current prepaid rent covering a 127 month lease term for this new school facility at June 30, 2008, Capital assets are used to provide services to the students and are not available for future spending.

The School had a positive net asset balance of $665,928 and $583,403 at June 30, 2009 and 2008, respectively.

Statement of Revenue, Expenditures, and Changes in Net Assets

	2009	2008
OPERATING REVENUE;		
Foundation payments	$ 1,569,010	$ 1,280,422
Other operating revenues	14,122	12,842
Total operating revenue	1,583,132	1,293,264
EXPENSES;		
Salaries	1,306,085	998,671
Purchased services	622,558	789,542
Fringe benefits and payroll taxes	287,760	194,856
Food service	144,996	91,392
Depreciation	127,868	9,229
Supplies and materials	65,107	248,146
Minor equipment	54,595	242,871
Dues and fees	52,829	67,285
Other	36,768	17,845
Insurance	11,148	10,740
Printing and other services	3,247	4,526
Total expenses	2,712,961	2,675,103
OPERATING INCOME	(1,129,829)	(1,381,839)
NON-OPERATING REVENUE:		
Public and private grants and donations	822,000	1,470,000
Federal subsidies	362,794	264,231
Other income	25,877	9,886
Interest income	1,683	319
Total non-operating revenue	1,212,354	1,744,436
NET INCOME	82,525	362,597
NET ASSETS BEGINNING OF YEAR	583,403	221,006
NET ASSETS END OF YEAR	$ 665,928	$ 583,603

In 2009, the School included sixth, seventh and eighth grade students. In 2008, the school included only sixth and seventh grade students. The additional grade offered in 2009 significantly impacts a comparison of 2009 and 2008 revenues and expenses. Also, in 2009 the School wrote off the $114,397 of net capital assets related to building improvements at its prior facility and charged the expense to depreciation, thereby affecting the comparison with depreciation in 2008. In 2008, the School received the balance of its federal start-up grant, affecting the comparison of public and private grants and donations revenues as well as expenditures for supplies and materials and minor equipment between 2009 and 2008.

Statement of Revenue, Expenditures, and Changes in Net Assets (continued)

For the year ended June 30, 2009, foundation payments accounted for 56.1% of total revenues while other operating revenues accounted for 0.51% of total revenues. For the year ended June 30, 2008, foundation payments accounted for 42.2% of total revenues while other operating revenues accounted for 0.42% of total revenues. Other non-operating revenues consisted primarily of donations in 2009 and 2008.

Staff costs represented by salaries & wages and fringe benefits was the largest expense and represented 58.8% and 44.6% total expenses in 2009 and 2008, respectively.

Capital Assets

The School has $2,937,761 invested in capital assets net of depreciation. There were $2,854,934 of additions to capital assets, $122,205 of write-offs and $2,317,061 of debt added in 2009. This activity is almost entirely the result of the School's move to a newly renovated facility in 2009. Refer to Notes 5 and 6 of the basic financial statements for more information. Information regarding the capital asset accounting policy is included in Note 2 of the basic financial statements.

Current Financial Issues

The future financial stability of the School is not without challenges.

The major challenge is the state economy. The School does not receive any funds from local property taxes. The primary sources of funding are the state foundation program and private donations. An economic slowdown in the state could result in budgetary cuts to education and reduced donations, which would have a negative impact on the School.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Tricia Markovic, Director of Operations of the Cleveland Entrepreneurship Preparatory School, 1417 East 36th Street, Cleveland, OH 44114 or email to tricia.markovic@eprepschool.org

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

ASSETS		
CURRENT ASSETS:		
Cash	$ 20,107	
Program receivable - Government agencies	84,043	
Due from Village Preparatory School	9,075	
Total current assets		$ 113,225
NON-CURRENT ASSETS:		
Capital assets, net of accumulated depreciation		2,937,761
TOTAL ASSETS		3,050,986
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 126,141	
Accounts payable	40,474	
Accrued pension expense	27,523	
Total current liabilities		194,138
NON-CURRENT LIABILITIES - LONG-TERM DEBT		2,190,920
TOTAL LIABILITIES		2,385,058
NET ASSETS		
Invested in capital assets, net of related debt	620,700	
Unrestricted	45,228	
TOTAL NET ASSETS		$ 665,928

The accompanying Notes to Financial Statements are an integral part of these statements.

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

OPERATING REVENUE:		
Foundation payments	1,569,010	
Other operating revenue	14,122	
Total operating revenue		$ 1,583,132
EXPENSES:		
Program services:		
Salaries	1,306,085	
Purchased services	622,558	
Fringe benefits and payroll taxes	287,760	
Food service	144,996	
Depreciation	127,868	
Supplies and materials	65,107	
Minor equipment	54,595	
Dues and fees	52,829	
Other	36,768	
Insurance	11,148	
Printing and other services	3,247	
Total expenses		2,712,961
OPERATING INCOME		(1,129,829)
NON-OPERATING REVENUE:		
Private grants and donations	822,000	
Federal subsidies	362,794	
Other income	25,877	
Interest income	1,683	
Total non-operating revenue		1,212,354
NET INCOME		82,525
NET ASSETS BEGINNING OF THE YEAR		583,403
NET ASSETS END OF THE YEAR		$ 665,928

The accompanying Notes to Financial Statements are an integral part of these statements.

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from Foundation payments	$ 1,569,010	
Cash received from other operating revenues	14,122	
Cash payments for personal services	(1,647,403)	
Cash payments for purchased services	(664,102)	
Cash payments for supplies and materials	(112,264)	
Cash payments for minor equipment	(72,014)	
Cash payments for food services	(135,142)	
Cash payments for dues fees	(91,490)	
Cash payments for others	(49,903)	
Cash used in operating activities		$ (1,189,186)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from federal subsidies	414,259	
Cash received from private grants and foundations	1,118,338	
Cash received from others	16,802	
Cash provided by noncapital financing activities		1,549,399
CASH FLOW FROM INVESTING ACTIVITIES:		
Cash payments for capital assets	(237,873)	
Cash received from federal subsidies	1,683	
Cash used in investing activities		(236,190)
NET INCREASE IN CASH		124,023
CASH AT BEGINNING OF YEAR		(103,916)
CASH AT END OF YEAR		$ 20,107

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income	$ (1,129,829)	
Adjustments to reconcile net surplus to net cash used in operating activities		
Depreciation	127,868	
Increase (Decrease) in liabilities:		
Accounts payable	(201,810)	
Accrued expenses	14,585	
Cash used in operating activities		$ (1,189,186)

SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:	
Non-cash investing and financing activities:	
Acquisition of capital assets financed through issue of notes payable	$ 2,317,061

The accompanying Notes to Financial Statements are an integral part of these statements.

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CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Cleveland Entrepreneurship Preparatory School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades six, seven, and eight. The School, which is part of the State's Education program, is independent of any school district and is non sectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that may adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Cleveland Municipal School District (the Sponsor) for a period of five years commencing June 30, 2005. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a seven member Board of Directors. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors control the School's instructional/support facility staffed by 24 certificated personnel who provide services to 225 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases and decreased in net total assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement.

D. Cash and Investments

All monies received by the School are pooled and maintained in a separate account in the School's name. Monies for the School are maintained in this account or temporarily used to purchase short term investments.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of $5,000. The School does not possess any infrastructure. Improvements are capitalized, and the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All recorded capital assets are depreciated using the straight lien method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful live of the related capital assets.

Assets	Years
Furniture, Fixtures and Equipment	5
Buildings and Improvements	30

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

The School also participates in various federal and state grant programs through the Ohio Department of Education. The programs the School participated in during fiscal year 2009 included the National School Lunch and Breakfast Program, Title I, Title II A Improving Teacher Quality, Title II D Enhancing Education through Technology Program, and the Special Education Part B IDEA program. Grants and entitlements received under these programs are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements included timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which resources are provided to the School on a reimbursement basis.

Amounts awarded under the above named programs for the 2009 school year totaled $1,931,804.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulation of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Compensated Absences

Personal leave benefits (sick, vacation, or personal) are earned at a rate of one day per month and cannot be carried over into the subsequent year. No accrual for personal leave is made since unused leave time is not paid to employees upon termination of employment.

3. DEPOSITS

At June 30, 2009, the carrying amount of all School deposits was $20,107. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, $189,790 of the School's bank balance was covered by the Federal Deposit Insurance Corporation and was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposit it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School has no deposit policy for custodial credit risk beyond the requirements of State statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayments, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the School at June 30, 2009 consisted of the following federal grants in which all grant requirements had been satisfied: Title I $77,033, Title II-A $3,283, Title II-D $1,179, Title IV-A $422, Title V $224 and Part B-IDEA $1,902.

5. CAPITAL ASSETS

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

	Balance 6/30/08	Additions	Deductions	Balance 6/30/09
Capital Assets Being Depreciated:				
Building and Improvements	$ 218,688	$2,827,174	$ (122,205)	$2,923,657
Furniture, Fixtures, and Equipment	9,695	27,760	-	37,455
Total Capital Assets Being Depreciated	228,383	2,854,934	(122,205)	2,961,112
Less Accumulated Depreciation:				
Building and Improvements	(13,972)	(11,069)	7,808	(17,233)
Furniture, Fixtures, and Equipment	(3,716)	(2,402)	-	(6,118)
Total Accumulated Depreciation	(17,688)	(13,471)	7,808	(23,351)
Capital Assets, Net of Accumulated Depreciation	$ 210,695	$2,841,463	$ (114,397)	$2,937,761

6. LONG-TERM DEBT

In 2009 the School was advanced a total of $2,317,061 by Tylerville, LLC for renovations to the property currently used as the School facility (see Note 13). The School is required to repay $1,250,236 in monthly installments amortized over a ten year period and $1,066,825 in monthly installments amortized over a fifteen year period. Both loans include interest at the debtor's borrowing rate (6% at June 30, 2009), to be adjusted at June 1st of each fiscal year. The monthly payments under these agreements are currently $13,811 and $8,958, respectively for the period of August, 2009 through May, 2010.

Maturities of the debt through 2014 and thereafter are as follows:

2010	$ 126,141
2011	145,735
2012	154,724
2013	164,267
2014	174,399
2015-2019	1,047,236
2020-2024	482,686
2025	21,873
Total	$2,317,061

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School contracted with Philadelphia Indemnity Insurance Company for property, business income, and building improvement insurance. The lease referred to in Note 13 requires the School to maintain Liability Insurance of not less than $4,000,000 and Property Damage Insurance in an amount not less than $2,000,000, per occurrence. There is a $1,000 deductible.

Professional liability is protected by Philadelphia Indemnity Insurance with a $1,000,000 single occurrence limit and $1,000,000 aggregate with a $5,000 deductible.

B. Employee Benefits

The School has contracted with a private carrier to provide employee medical insurance to its employees. The School pays $250 of the monthly premiums for medical insurance while the employee is responsible for the remaining balance.

8. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School contributes to the State Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)
A. School Employee Retirement System (Continued)

required supplementary information. That report may be obtained by writing to State Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for members and employer contributions. The School's contributions for pension obligation to SERS for the fiscal years ended June 30, 2009 and 2008 were $41,929 and $19,260, respectively; 97 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal year 2008.

B. State Teachers Retirement System

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. The member may elect to receive a lifetime annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may quality for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may quality for survivor benefits. Members in the DC Plan who become disabled are only entitled to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009 plan members are required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System (Continued)

State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School 's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $140,347 $102,288 and $84,054, respectively;81 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.91 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was $1,742.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2009 and 2008 were $14,705 and $8,201, respectively; 97 percent has been contributed for fiscal year 2009 and 87 percent for the fiscal year 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 was $2,246 and $1,295, respectively; 97 percent has been contributed for fiscal year 2009 and 100 percent has been collected for fiscal year 2008.

9. POSTEMPLOYMENT BENEFITS (CONTINUED)

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were $8,167, $7,306 and $6,446, respectively; 81 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

10. CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on June 30, 2005 and continuing through June 29, 2010, with the Cleveland Municipal School (the "Sponsor") for its establishment. Under the contract, the following terms were agreed upon:

- The School shall operate in substantial compliance with its "Educational Plan", which contains the School's mission, educational philosophy, the ages and grade of students, the characteristics of students the School expects to attract, the focus of the curriculum, a description of the learning opportunities offered to the students, the academic goals and the method of measurement that will be used to determine progress toward these goals, graduation requirements, and the focus of the curriculum.
- The School shall operate in substantial compliance with the "Financial Plan", which establishes and estimated school budget each year and a total estimated per pupil expenditure amount for each such year.
- The School shall annually pay to the Sponsor three percent (3.0%) of the total amount of payments for operating expenses the School receives from the State of Ohio. The School made payments of $46,937 to the Sponsor in fiscal year 2009.

10. CONTRACTS (CONTINUED)

B. Fiscal Services Contract

The sponsorship contract states that the School shall have a designated fiscal officer who shall meet all the requirements as set forth by law including:

- Maintain the financial records of the School in the same manner as are financial records of schools, pursuant to rules of the Auditor of State.
- Comply with the policies and procedures regarding internal financial control of the School
- Comply with the requirements and procedures for financial audits by the Auditor of State.

The School entered into contracts with Cleveland Metropolitan School (CMSD) for fiscal services including school treasurer services, payroll services, and capital asset services. Total payments made to CMSD for fiscal year 2009 were $30,000.

11. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state funding is calculated. The conclusions of this review could result in state funding being adjusted. The School does not anticipate any material adjustment for fiscal year 2009 as a result of such review.

12. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$ 354,230
Property Services	151,087
Travel Mileage/Meeting Expense	13,327
Communications	62,436
Utilities	27,906
Pupil Transportation	13,572
Total Purchased Services	$ 622,558

13. OPERATING LEASE

In March 2006, the School signed a lease for the former school premises under a non-cancelable agreement that expired on June 30, 2008. In addition, during fiscal 2009 additional space was leased under a month-to-month agreement. Commencing July 1, 2008 the School entered into an amended month-to-month lease for the former building space. During 2009 the School also entered into a noncancellable agreement for office equipment which expires in January 2012.

In 2009 the School signed a lease for the current school premises under a non-cancelable agreement that expires on July 1, 2019 Base and common area rent for this facility is $7,070 and $3,308, respectively, per month through May 2010 and will increase each subsequent calendar year by the approximate percentage increase in the United States Bureau of Labor Statistics' Cleveland-Akron, Ohio Consumer Price Index for All Urban Consumers. The School is not required to pay base rent during the 1st, 2nd, 83rd, and 95th full calendar months of the lease term. The School will be required to make scheduled reimbursement payments for renovations to the property in addition to those noted above. Total payments for any twelve month period are subject to a rental cap of $420,000 as adjusted for the annual increases in base rent as described above. The School has the option to extend the initial lease term for two (2) additional periods of five (5) years. Rental expense under operating leases was $75,269 in fiscal 2009

Future minimum rental payments due in each of the next five years are:

2010	$121,913
2011	132,293
2012	129,068
2013	124,553
2014	124,553

14. PRIVATE DONATION

The School is a separate corporation from Friends of E Prep Schools, an Ohio not-for-profit corporation. Friends of E Prep Schools is an agency that was organized to provide funding for operations for the School and future schools like it. Funding provided to the School from Friends of E Prep amounted to $817,000 for the year ended June 30, 2009. Friends of E Prep Schools also paid the School $3,000 to rent office space during 2009.

15. DUE FROM VILLAGE PREPARATORY SCHOOL

The School is a separate corporation from Village Preparatory School. Village Preparatory School is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through grade five that shares certain facilities and subcontractors with the School. The School has a receivable from Village Preparatory School of $9,075 at June 30, 2009 for expenses paid by the School on behalf of Village Preparatory School. This amount was paid in full in August 2009.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
1417 East 36th Street
Cleveland, Ohio 44114

To the Board of Directors:

We have audited the financial statements of Cleveland Entrepreneurship Preparatory School, Cuyahoga County, (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

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

We noted a certain matter that we reported to the Academy's management in a separate letter dated December 7, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated December 7, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2009

Mary Taylor, CPA
Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
1417 East 36th Street
Cleveland, Ohio 44114

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2008.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family

Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2009

Mary Taylor, CPA
Auditor of State

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2010

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