GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

CLOSEOUT AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Educational Resource Consultants of Ohio, Inc.
George Washing Carver Preparatory Academy
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the basic financial statements of George Washington Carver Preparatory Academy, Franklin County, Ohio, (the Academy) as of and for the period ended June 30, 2010, as listed in the table of contents. The financial statements are the responsibility of the Academy's management.

The prior period (July 1, 2008 through June 30, 2009) was engaged to be audited, but a disclaimer of opinion was issued by the independent accountants therefore providing no audit assurance over the June 30, 2009 fund balances. In addition, the Academy did not reconcile their accounting records to the bank activity during the audit period, nor present sufficient documentation for examination to gain assurance over July 1, 2009 or June 30, 2010 fund balances.

The Academy failed to maintain records of personnel files for Academy employees. They also failed to maintain documentation to support the amounts reported on the financial statements for food service receipts and other miscellaneous receipts classified as Other Revenues representing 2 percent of total revenues, 19 percent of liabilities, 15 percent of expenditures, as well as certain lease and debt agreements. The Academy was unable to either locate sufficient evidential matter or had, in some instances, shredded the documentation. In addition, no bill receiving system was utilized by the Academy to support the amount of accounts payable reported. As a result, we were unable to gain assurances over completeness of the respective liabilities, receipts, and disbursements.

The Academy also did not maintain documentation to support the Notes to the Financial Statements. Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements.

There are known unadjusted differences the Academy has not posted to their accounting records or financial statements. The adjustment required is as follows:

Assets	$ 38,932
Liabilities	(108,351)
Revenues	98,036
Expenses	(118,437)

The Academy failed to develop a capital asset accounting system, failed to maintain original supporting documentation to itemize and identify capital assets purchased, failed to identify the location of assets within the Academy, or develop and/or implement procedures to record capital asset additions and deletions. Therefore, were unable to gain assurances over completeness of the capital assets reported on the financial statements.

AU Section 337 permits auditors to rely on the judgment of lawyers and management as to the disclosure of unasserted claims. Letters of audit inquiry sent to the Academy's legal counsel were not responded to. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

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* require us to obtain written representations from management. Management has not provided the Auditor of State written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

Since the Academy did not provide sufficient evidential matter or written representations as described in paragraphs two through eight above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements referred to above for the year ended June 30, 2010.

The Academy ceased operations based on closure by the sponsor on June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

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

Dave Yost

Dave Yost
Auditor of State

May 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Our discussion and analysis of the George Washington Carver Preparatory Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Academy for the 2010-09 school year are as follows:

- Total assets increased by $27,001, or 36%.
- Total liabilities increased by $44,333, or 4%,
- Total net assets increased by $17,332, or 2%.
- Total operating revenues were $817,158. Total operating expenses were $1,661,708.

USING THIS ANNUAL 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 Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Net Assets reflect how the Academy did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Academy's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Academy uses enterprise presentation for all of its activities.

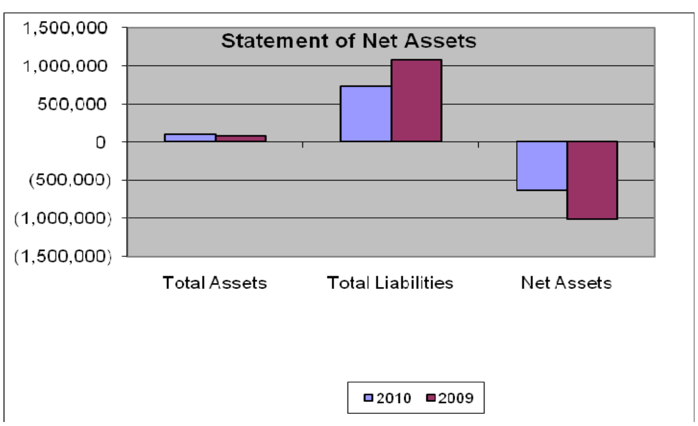
Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2010. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2010 and 2009.

Table 1
Statement of Net Assets

	2010	2009
Assets		
Current Assets	$ 48,219	$ 13,227
Capital Assets, Net of Depr	52,839	60,830
Total Assets	101,058	74,057
Liabilities		
Current Liabilities	1,125,882	1,081,549
Total Liabilities	1,125,882	1,081,549
Net Assets		
Investment in Capital Assets, Net	52,839	45,830
Unrestricted	(1,077,663)	(1,053,322)
Total Net Assets	$(1,024,824)	$(1,007,492)



Net assets decreased by $17,332, a 2% from 2009. This increase is significantly the result of the prior period adjustment, restating beginning net asset balance for payables unsubstantiated. See Note 15 of the notes to the basic financial statement for further clarification.

Liabilities decreased by $44,333 from the 2009, or 40.9%. This too resulted from the significant write-off of liabilities which were not evidenced by the former treasurer. Additional tax liabilities were represented as a significant part of current liabilities.

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2010 and 2009, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

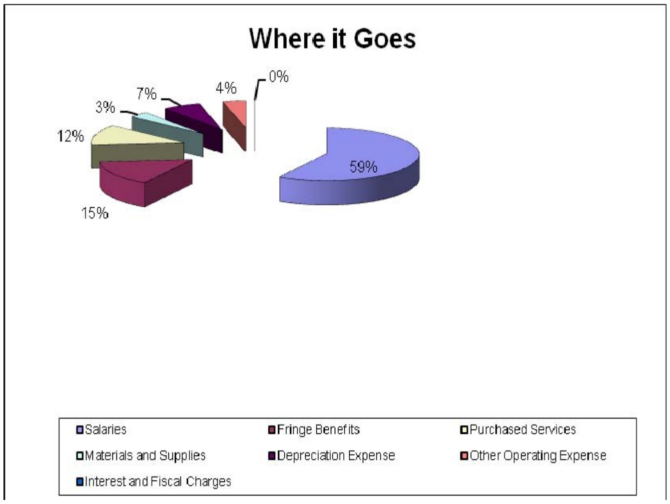
Table 2
Change in Net Assets

	2010	2009
Operating Revenue :		
State Foundation	$ 791,335	$ 910,344
EMIS	5,000	-
Other	20,823	11,754
Total Operating Revenues	817,158	922,098
Operating Expenses :		
Salaries	442,204	433,743
Fringe Benefits	50,830	220,040
Fed, State and ODJFS	714,305	-
Judgments	31,063	-
Purchase Services	416,312	487,626
Material & Supplies	6,994	13,996
Total Operating Expenses	1,661,708	1,155,405
Operating Income (Loss)	(844,550)	(233,308)
Non-Operating Revenues and (Expenses)		
Federal & State Grants	85,667	107,289
Interest and Fiscal Charges	(2,207)	(2,682)
Total Non-Operating Revenues and (Expenses)	83,460	105,107
Increase (Decrease) in Net Assets	$ (761,090)	$ (128,200)

Operating expenses increased by $506,306 which represents a 43.8% from 2009. Operating revenues decreased by $104,940, or 11.4% from the prior year. This decrease is associated with the $119,009 reduction in State Foundation. Approximately $13,000 in refunds paid back by the Ohio Department of Education for overpayments in State Foundation in the prior year and the current year decline in student enrollment.

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor.



The contract between the Academy and its Sponsor does not prescribe a budgetary process.

Capital Assets

The Academy made no additional investment in capital assets, during the fiscal year. All capital assets are fully depreciated including leasehold improvements. The Academy did provide to the new treasurer a capital assets listing with corresponding historical or estimated cost. Consequently, the capital assets and its accumulated depreciation cannot be substantiated at to the accuracy and completeness of the capital asset presentation.

See the accompany notes to the basic financial statements for a listing of capital assets and leasehold improvements.

Debt Obligations

The Academy was indebted to several officers, employees and the former treasurer for loans which were not substantiated with evidential matter. These obligations were written-off in this period. At June 30, 2010, the Academy's indebtedness was limited to the U. S. Bank and the My Brother's Keeper for a line-of-credit and past due rents, respectively. Other obligations consisted primarily due to unremitted taxes withheld from employee payroll checks issued prior to fiscal year 2010. The respective agencies have assessed the Academy for these unpaid tax withholdings and are represented in the accompanying financial statements.

See the notes to the basic financial statement for the listing debtors and the obligation outstanding at June 30, 2010.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Edward E. Dudley, Sr. CPA, MBA, of L.E.D. Consulting, Inc., 676 Brook Hollow, Gahanna, Ohio 43230 or e-mail at edl@eddudleycpa.com

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
AT JUNE 30, 2010

Assets		
Current Assets:		
Cash and Cash Equivalents	$	5,104
Intergovernmental Receivables		43,115
Total Current Assets		48,219
Noncurrent Assets:		
Security Deposit		-
Capital Assets:		
Depreciable Capital Assets, net		52,839
Total Noncurrent Assets		52,839
Total Assets		101,058
Liabilities		
Current Liabilities:		
Accounts Payable		188,898
Intergovernmental Payable		824,330
Judgments Payable		31,063
My Brother Keeper		48,031
Overdraft Protections Line-of-credit		33,560
Total Current Liabilities		1,125,882
Net Assets		
Investment in Capital Assets, Net of Related Debt		52,938
Unrestricted		(1,077,762)
Total Net Assets	$	(1,024,824)

See accompanying notes to the basic financial statements

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2010

Operating Revenues:	
State Foundation (Aid)	$ 791,335
EMIS	5,000
Other	20,823
Total Operating Revenues	817,158
Operating Expenses:	
Salaries	442,204
Fringe Benefits	50,830
Federal, City Taxes and ODJFS	714,305
Judgments	31,063
Purchased Services	416,312
Materials and Supplies	6,994
Total Operating Expenses	1,661,708
Operating Loss	(844,550)
Non-Operating Revenues (Expenses):	
Federal and State Grants	85,667
Note Interest	(2,207)
Total Non-Operating Revenues (Expenses)	83,460
Change in Net Assets	(761,090)
Net Assets Beginning of Year, as restated	(263,734)
	-
Net Assets End of Year	$ (1,024,824)

See accompanying notes to the basic financial statements

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GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTYY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 791,335
Cash Received from Other Operating Sources	25,708
Cash Payments to Suppliers for Goods and Services	(194,382)
Cash Payments to Employees for Services	(632,204)
Cash Payments for Employee Benefits	(93,830)
Other Cash Payments	(6,994)
Net Cash Used for Operating Activities	($110,367)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants	85,667
Net Cash Provided by Noncapital Financing Activities	85,667
Cash Flows from Capital and Related Financing Activities	
	-
	-
Cash Payments for Fiscal Charges	(2,207)
Net Cash Provided by (Used in) Capital Financing Activities	(2,207)
Cash Flows from Investing Activities	
	25,294
Net Cash Provided by Investing Activities	25,294
Net Decrease in Cash and Cash Equivalents	(1,613)
Cash and Cash Equivalents Beginning of Year	6,717
Cash and Cash Equivalents End of Year	$ 5,104

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTYY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	$ (844,500)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	-
(Increase) Decrease	
Accounts Payable	(9,476)
Net Cash Provided by (Used in) Operating Activities	$ (110,367)

1. DESCRIPTION OF THE ENTITY

George Washington Carver Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in kindergarten through eighth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy has been approved for operation under a contract with Educational Resources Consultants of Ohio (the Sponsor). This contract renews for additional one year term from July 1 to June 30, unless either party has given advance written notice of at least ninety days. The Academy operates under a self- appointed, seven member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial Statements of the Academy 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 established governmental accounting and financial reporting principles. The Academy 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 Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Fund Net Asset, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes net assets, financial position and cash flows.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expense incurred and /or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the coast (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy contract with its Sponsor. The contract between the Academy and the Sponsor, the Educational Resource Consultants of Ohio, does not prescribe a budgetary process for the Academy.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash.

E. Estimates

The 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 theses estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Deprecation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

Asset	Useful Life
Furniture and Equipment	5 years

The Academy has an asset capitalization threshold policy of $500. (See Note 5)

Leasehold improvements are depreciated using the straight-line method over the remaining term of the lease agreement, including the renewal option.

The Academy did not maintain capital asset records in accordance with Ohio Administrative Code Section 117.02 (D)(4)(c).

G. Intergovernmental Revenues

The Academy 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 have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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

The Academy also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs the Academy received $877,002 this fiscal year.

H. Compensated Absences

The Academy does not record a liability for compensated absences because its policy is not to payout accumulated leave balances upon termination of employment. However, administrative staff was paid for unpaid leave balances at the close of the Academy.

I. Accrued Liabilities

The Academy has recognized certain liabilities $1,125,882, as of June 30, 2010, with $188,898 in trade payables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Exchange and Non Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

K. 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 restriction imposed by creditors, grantors, or law and regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Operating Revenues and Expenses

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

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit, and Investment Risk Disclosures”.

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000, per qualifying account. At June 30, 2010, the book balance of the Academy’s deposits was $5,104 and the bank balance was $9,386.

3. CASH AND CASH EQUIVALENTS (Continued)

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2010, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to $100,000. Deposits in excess of $100,000 are secured by pooled collateral.

4. CAPITAL ASSETS AND DEPRECIATION

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10
Capital Assets Being Depreciated:				
Capital Improvements	$ 999,392	$ -	$ -	$ 999,392
Equipment and Furniture	329,344	-	-	$ 329,344
Total Capital Assets Being Depreciated	1,328,736	-	-	1,328,736
Less Accumulated Depreciation:				
Capital Improvements	(1,022,300)	-	-	(1,022,300)
Equipment and Furniture	(253,597)	-	-	(253,597)
Total Accumulated Depreciation	(1,275,897)	-	-	(1,275,897)
Total Net Capital Assets	$ 52,839	$ -	$ -	$ 52,839

The Academy did not maintain a listing of capital assets by location at historical or estimated cost. The Academy did not amortize capital assets cost over the life of the asset, as required.

5. INTERGOVERNMENTAL RECEIVABLE

The Academy's share of retirement cost for employees are deducted from the monthly foundation settlement statements and reduced from gross foundation receipts. The retirement cost is based on the estimated payroll for the fiscal. In fiscal 2010, the payroll estimate was incorrect causing retirement cost to be overestimated by approximately $43,115. This amount was recorded in the Statement of Net Asset as a receivable at June 30, 2010, and reduced benefit cost, accordingly.

6. DEBT OBLIGATIONS, TAXES AND JUDGEMENTS

A. Loans from L.E.D. Consulting, Inc. and the Bank Overdraft Protection Line –of -credit

The Academy's debt obligations during the fiscal year 2010 were as follows:

Outstanding Obligations	Balance At 6/30/2009	Additions	Reductions	Balance At 6/30/2010
Credit Line- Bank	33,560	-	-	33,560
LED Consulting, Inc.	-	11,339	11,339	
Total	$ 33,560	$ 11,339	$ 11,339	$ 33,560

The Academy has an overdraft protection line-of-credit with US Bank at an interest rate of 4 percent above prime, secured by Ms. Congo and the former treasurer, Carl Shye. This line-of-credit was established to add overdraft protection to the Academy's bank account. As of June 30, 2010, the Academy owed $33,560. The Academy has not made any payment on the principle balance in the current fiscal year. The Academy did pay $2,207 in interest cost.

The Academy's officers and employees periodically made loans to the Academy to cover expenses and address cash flow shortages as the Academy attempted to address its financial problems. During fiscal 2010, this amounted to $11,339 loaned by L.E.D. Consulting, Inc. to cover payroll expenditures. The Academy has entered into demand loan agreements with these officials in those instances. At June 30, 2010, the balance was zero.

B. Educational Facility Leasing

The Academy has a lease with the My Brother's Keeper, a Community Development Corporation, operated by Mt. Hermon Missionary Baptist Church, for the use of classroom space and other educational facilities. My Brother's Keeper billed the Academy monthly.

Outstanding Obligation	Balance At 6/30/2009	Additions	Reductions	Balance At 6/30/2010
My Brother's Keeper	$ 212,411	$ 201,120	$ 365,500	$ 48,031

At June 30, 2009, the Academy had lease arreages of $212,411. Given the bleak financial condition of the Academy, My Brother's Keeper forgave the entire passed due balance and the Academy paid rents of $179,500 in fiscal 2010. As part of the closing procedures, the Academy also remitted $33,000 after year end, resulting in a net payable of $15,030 at June 30, 2010. The rental deposit of $15,000 was expensed as part of the rental arrearages off-set.

6. DEBT OBLIGATIONS, TAXES AND JUDGEMENTS (Continued)

C. Federal, State, Local Taxes and the Ohio Department of Jobs and Family Services

The Academy did not remit the employees' federal and local taxes withhold from their payroll checks prior to July 1, 2009 to the appropriate, respective agencies. The IRS and the city of Columbus have assessed the tax owed with interest and penalties against the Academy. The IRS and city of Columbus has assessed $61,482 and $47,542, respectively, and these amounts are reflected as part of the Intergovernmental Payable in the Statement of Net Assets.

The State also assessed the Academy for state and school taxes withheld from employees' payroll checks which were not remitted to the state. The assessment for the period of January 1, 2003 through December 31, 2009 totaled $360,309, and is reflected as part of the Intergovernmental Payable in the Statement of Net Assets.

The remaining balance, $353,995, is the assessment against the Academy from the Ohio Department of Jobs and Family Services for unemployment payments made by the state to separated employees, after the close of the Academy. There was no evidence the Academy paid premiums to the state for unemployment coverage.

D. Judgments

Due to the financial difficulties experienced by the Academy, numerous vendors were not paid or at least timely paid. Consequently, the vendor judgments were assessed against the Academy for nonpayment. At June 30, 2010, the total judgments were $31,063, and are reported in the Statement of Net Assets as Judgments Payable, and the remaining $29,841 is reflected in the trade accounts payable account in the Statement of Net Assets.

7. RISK MANAGEMENT

A. Property & Liability

The Academy 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 the fiscal year 2008, the Academy contracted with a commercial insurance carrier for the general liability insurance. There is a $1,000 deductable and a limit of $1,000,000 limit. There was no reduction in coverage from the previous year. Claims have not exceeded commercial coverage in the past three years.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Medical, Dental and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 80 percent of the monthly premium and the employee is responsible for the remaining 20 percent. For the fiscal year 2010, the Academy and its employees' premium varied depending on family size and the age of those covered.

7. RISK MANAGEMENT (Continued)

D. Life Insurance

The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of $15,000 is provided for all certificated and non-certificated employees.

8. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources.**

Funding Policy Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were $21,898, $16,404 and $26,130, respectively, which equaled the required.

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

The financial report of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources.**

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio)

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed the public school system of Ohio or an school, community school, college, university, institution or other agency controlled, managed or supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation amount various investments choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, members contributions are allocated to investment choices by the members and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to the members accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis, DC and Combined Plan members well transfer to the DB Plan during their fifth year of membership unless they permanently select eh DC or Combined Plan.

DB Plan Benefits- Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit” the retirement allowance is based on the year of credited service and final average salary, which is the average of the numbers’ there highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio – valued purchased credit) time the final average salary. The 31st years of earned Ohio Service credit is calculated at 2.5%. An additional one-tenth of a percentage is added to the calculation for every year of earned Ohio service over 31 years Z(2.6% for 32 years,2.75z for 33 years and so on) until 100% of final average salary is reached. For members with 35 years or more years of Ohio contribution service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a members lifetime contributions plus interest at specified rate are matched by an equal amount form other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio) (Continued)

DC Plan Benefits- Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all members' contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money amount various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after their first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the members account balance

Combined Plan Benefits- Members contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the members' final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to members on or after age 60. The defined contribution portion of the amount may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and university may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, their retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated

Benefits are increased annually by 3% of the original base amounts for DB Plan participants

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drug and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio) (Continued)

The DB and Combined Plan members with five or more years' credited service who become disabled may qualify for disability benefits. Eligible spouses and dependents of members who die before retirement may qualify for survivors' benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participates in the DB Plan. Death benefits coverage up to $2,000 can be purchased by participants in the DB, DC and Combined Plans. Various other benefits are available to members' beneficiaries

Chapter 3307 of the Revised Code provides statutory authority for members and employers contributions. Contributions rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employees.

Contribution requirements and contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The Academy's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were $78,372, $72,072 and $115,754, respectively, which equaled the required.

The above is the latest information available.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, there were no members that elected Social Security option. The contribution rate is 6.2 percent of wages.

9. POST EMPLOYMENT BENEFITS

A. School Employee Retirement Systems (SERS Ohio)

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40, SERS' reimbursement to retirees was $45.50.The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .075%. The Academy's contributions for the years ended June 30, 2010, 2009 and 2008 were $557.63, $890.51 and $1,418.49, respectively, which equaled the required contributions each year.

9. POST EMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (SERS Ohio) (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund.

For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were $337.51, $538.99 *and* $858.55, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

B. State Teachers Retirement System (STRS Ohio)

Plan Description STRS Ohio administrator a pension plan that is comprised of a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer plan. STRS Ohio provides access the health care coverage to eligible retirees who participant in the Defined Benefits or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursements of monthly Medicare Part B premiums.

9. POST EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (STRS Ohio) (Continued)

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefits recipients, for the most recent years, pay a portion of the health cost in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law.

For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $400.50, $720.72, and $3,378 respectively all of which has been contributed for all fiscal years.

The above is the latest information available.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amount which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

B. Litigation

The Academy is not part of any litigation.

C. Full Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE conducted a review for fiscal year ended June 30, 2009. Consequently, the Academy was required to pay back $13,266 in state foundation payments overpaid. At June 30, 2010, the entire balance is paid.

11. SPONSORSHIP-Educational Resources Consultants of Ohio (ERCO)

The Academy contracted with Educational Resources Consultants of Ohio as its sponsor effective June 30, 2006. The Academy pays the Sponsor three percent of its State Foundation. Total fees expensed for the period of July 1, 2009 through June 30, 2010 was $24,149. The Sponsor is to provide oversight, monitoring and technical assistance to the Academy.

12 TREASURY SERVICES - L.E.D. Consulting, Inc

The Academy contracted with L.E.D. Consulting, Inc. Gahanna, Ohio, for treasury services for the period of July 1, 2009 through June 30, 2010. For these services, the Academy paid $48,000.

The Academy also commissioned L.E.D. Consulting, Inc. to perform other services not part of the original contract agreement. The Academy paid $2,500 for those services.

The Academy made other payments to consultants commissioned by the Treasurer to perform certain services based on their expertise. The Board authorized these payments over and above the treasury fees paid to L.E.D. Consulting, Inc.

13. PURCHASE SERVICES

For the period of July 1, 2009 through June 30, 2010, the Academy made the following purchase services.

	2010
Professional and Technical Services	118,952
Property Services	179,500
Utilities	1,465
Communications	115
Contractual Trade Services	115,080
Pupil Transportation	1,200
	$416,312

14. TAX EXEMPT STATUS

The Academy is a nonprofit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code.

15. PRIOR PERIOD ADJUSTMENT

The Academy recorded in its financial statements prior to July 1, 2009 payroll, intergovernmental, tax (federal, state and local), and garnishment liabilities which could not be confirmed through evidential matter provided by the former Treasurer to support the accuracy, completeness, and valuation and disclosure of these recorded liabilities. Consequently, these liabilities were reduced and the beginning net assets balance adjusted. The effect of these events is summarized in the table below.

Beginning Net Asset Balance		
At June 30, 2009:		$ 638,924
Prior period Adjustments (through gl)		
My Brother Keeper Rental & Loan		360,405
Depreciation Calculation, diff py		8,163
		368,568
Affect through quick books		1,007,492
(Reported in the prior report)		
Prior period Adjustments:		
	-	
City of Columbus	(9,894)	
Federal Taxes	346,620	
Garnishments	6,861	
Intergovernmental	18,425	
Inventory Assets	(6,510)	
Officer and Staff Loans	19,688	
Total adjustment		375,190
Restated Net Asset Beginning		
Balance At June 30, 2009:		$ 263,734

16. RELATED PARTY TRANSACTIONS

The Academy owes several officers and employees of the Academy for loans made to the Academy to cover cash shortages and operating expenses.

The Academy has an overdraft protection line-of-credit with its depository in the amount of $33,560. This agreement is to prevent overdraft on the Academy's general account. The unpaid balance in this account bears an interest rate equal to 4% above the prime rate. This agreement is guaranteed by Carl Shye, the former treasurer, and Maria Congo, Superintendent of Schools.

16. RELATED PARTY TRANSACTIONS (Continued)

L.E.D. Consulting, Inc., the treasurer, made several advances of cash to the Academy to meet payroll expenses. The Treasurer advanced the Academy $11,339.

Donald Washington, Pastor, of the Mt. Hermon Missionary Baptist Church, and Chairperson of My Brother's Keeper, received $3,075 for board stipend and loan repayment. The Academy paid $179,500 in rental payments to lease the space on church premises for educational purposes.

17. SUBSEQUENT EVENTS

The Academy ceased operations on June 8, 2010. The Academy's assets were auctioned to meet unpaid obligations, expended in accordance with required closing procedures. The Academy received $1,500 as net proceeds for this sale. This amount is not reflected in the accompanying financial statements.

In October 2010 SERS refunded payments made through foundation withholdings in the amount of $43,115. These funds were expended to retire amounts owed to My Brother Keeper ($33,000) and for professional fees incurred as a result of the Academy closing.

The Academy secured legal counsel to continue to work to finalize the official closing of the Academy. The Academy has paid a retainer of $4,500. This amount is not reflected in the accompany financial statements.

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

Educational Resource Consultants of Ohio, Inc.
George Washing Carver Preparatory Academy
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To The Sponsor:

We were engaged to audit the basic financial statements of George Washington Carver Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the period ended June 30, 2010 and have issued our report thereon dated May 27, 2011, in which we disclaimed an opinion upon the financial statements because the Academy failed to adequately present, safeguard, or document revenue, disbursements, assets, and liabilities due to lack of sufficient competent evidential matter in addition to being unable to obtain external legal consultations and written representations regarding the activity of the Academy. We also noted the Academy closed operations on June 30, 2010.

Internal Control over Financial Reporting

In planning and performing our engagement, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. 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 timely corrected. We consider findings 2010-001 through 2010-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statement 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 engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-004 through 2010-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 27, 2011.

The Academy's responses to the findings identified in our engagement are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, and the Academy's Sponsor, Educational Resource Consultants of Ohio, Inc. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

May 27, 2011

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD ENDED JUNE 30, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2010-001

Record Retention – Noncompliance Finding and Material Weakness

Ohio Revised Code Section 149.351 states, in part that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission."

The Academy did not have a records retention and destruction schedule in place and currently did not maintain all records. We noted the following instances where the underlying documentation and support of certain financial transactions were not able to be located:

1. All Personnel files were destroyed
2. All student information and reports, other than student files provided to the local school district, were destroyed
3. All food service receipt information was destroyed.
4. The Academy had no capital asset records
5. The Academy did not retain the lease agreement for a copier from Modern Leasing
6. The Academy did not retain multiple debt (loan) agreements
7. Missing expenditure documentation, including expenditures that resulted in finding for recovery as described in Finding 2010-004
8. Missing expenditure documentation for $2,207 for interest paid on debt notes
9. Missing receipt information for $1,500

We were unable to determine the adjustments necessary to the financial statements as a result of the lack of evidential support and therefore were unable to gain assurances over completeness of the respective fund balance, assets, liabilities, receipts, disbursements and related disclosures.

In addition, no documentation was presented to support the Notes to the Financial Statements. Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements,

The Academy also did not retain bank account information for two bank accounts. We were able to obtain the necessary information from the bank via subpoena, however the Academy should retain this information.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose. In part, as a result of the Academy being unable to provide sufficient evidential matter to support the amounts reported on the financial statements, including notes to the financial statements, we were unable to express an opinion on the financial statements.

We recommend the Academy ensure proper supporting documentation is retained to evidence all expenditures made, receipts collected, bank statements, personnel files, student files and capital assets to ensure the accuracy of the financial statement presentation. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained along with the expenditures to evidence the details of the goods or services purchased. Such documentation should also be reviewed by the Board during monthly review of financial reports and expenditures and receipts to ensure the proper recording and classification of expenditures and revenues.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2010-002

Financial Accuracy – Material Weakness

Sound financial reporting is the responsibility of the Academy's Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

At year-end the cash basis information from the accounting system is converted into the financial statements reported under Accounting Principles Generally Accepted in the United States of America. Accrual information is prepared by the Treasurer, along with the financial statements.

Our testing of the financial records reflected the following variances to what was reported on the Academy's financial statements and, where applicable, the Academy's accounting record. However, adjustments have not been made to the Academy's financial statements or accounting records. In addition, due to the lack of evidential matter as noted in Finding 2010-001, the list below does not represent all potential variances.

1. Understatement of Intergovernmental Receivable and Foundation Receipts of $10,830;
2. Reclassification of Purchased Services Expenses to Salaries Expense of $1,539;
3. Increase Cash and Cash Equivalents and reduce expenses for outstanding checks that were not presented to the vendors and cleared with the bank for $23,125;
4. Overstated Beginning Net Assets and Cash and Cash Equivalents for bank balances that were overstated by $18,810;
5. Reclassification of Invested in Capital Assets to Unrestricted Equity for $99;
6. Reclassification of Purchased Service Expenses of $179,500 and Short Term Loan Proceeds of $13,039 to Non-Operating Principal Payment Expenses of $192,539;
7. Reclassification of Statement of Cash Flows Other Operating Sources for $19,716 and Investing Activities for $25,294 to Operating Grants for $45,010;
8. Overstatement of EMIS Receipts Revenue of $5,000;
9. Understatement of Federal and State Grants Revenue of $45,010;
10. Adjustment of Statement of Cash Flows to increase Payments to Suppliers for Goods and Services for $273,575 and Cash Payments for Employee Benefits for $1,359 while reducing Cash Payments for Employee Services for $224,554 with a resulting reduction to Beginning Cash Balance by $50,380;
11. Adjustment to reduce overstated Accounts Payable by $129,090 along with related expenses of Purchased Services $56,892, Materials and Supplies $1,809, and Federal, City Taxes and Ohio Department of Job and Family Services (ODJFS) of $70,389;
12. Adjustment to reduce overstated Judgments Payable and Judgments Expense by $2,500;
13. Adjustment to increase understated Intergovernmental Payable and Federal, City Taxes and ODJFS Expense by $2,462;
14. Adjustment to increase understated Loans Payable and Salaries Expense by $22,046;
15. Adjustment to reduce overstated My Brother's Keeper Payable and Salaries Expense by $3,531;
16. Adjustment to increase understated Overdraft Protections Line-of-Credit Payable and Salaries Expense by $1,440;
17. Adjustment to record unrecorded Interest Payable and Interest Expense of $822;
18. Adjustment to record unrecorded Accounts Receivable and Other Revenue of $10,000;
19. Adjustment to increase understated intergovernmental receivable of $24,157 and associated revenue of Other Revenue of $22,369 and Federal and State Grants Revenue of $1,788.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD ENDED JUNE 30, 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2010-002 (Continued)

The adjustment required for the above known errors is as follows:

Assets	$ 38,932
Liabilities	(108,351)
Revenues	98,036
Expenses	(118,437)

Due to the unposted adjustment and the inability to determine if other adjustments were necessary as a result of the lack of supportive documentation noted in Finding 001, we were unable to gain assurances over completeness of the respective fund balance, assets, liabilities, receipts, and disbursements.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected by management and decreases the reliability of financial data throughout the year.

We recommend the Academy develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the financial activity of the Academy and thereby increases the reliability of the financial data throughout the year.

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD ENDED JUNE 30, 2010
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2010-003

Unreconciled Bank Accounts – Material Weakness

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be adjusted at the time the item or error is discovered and the discrepancy is resolved.

The Academy fund balance per the accounting records was not reconciled to the bank activity at June 30, 2010. The Academy's ledgers overstated fund balance by $18,810 due to utilizing inappropriate bank balances for two bank accounts, for which the Academy did not maintain account information. Additionally, the reconciliations contained $23,125 of outstanding checks which exceed the account balances in the respective bank accounts and have not been presented on account by the notated vendors numerous months after the issuance date, which raises issue to whether they are outstanding or if they were ever properly issued to the vendors. Unreconciled bank to book balances could lead to possible theft or errors without the timely detection by management. Writing checks in excess of available funds could result in over-drafted bank accounts and negative cash balance.

Furthermore, no indication of review of the bank to book reconciliations by the Treasurer, after preparation by an assistant, was present.

We recommend the Academy take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. The Academy should additionally take steps to alleviate or adjust outstanding reconciling items. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2010-004

Proper Public Purpose – Unsupported Expenditures – Noncompliance Finding - Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy expended public funds that did not have supporting documentation for 6.7% of the nonpayroll expenditures that were tested during the fiscal year. Additionally, the Academy expended public funds in the amount of $492 during the fiscal year (as identified in the table below) that did not have prior Board approval, demonstrating what public purpose such expenditures served.

Date	Check Number	Vendor	Amount	Authorizing Parties
08/14/09	143797	US Post Office	$99	Ed Dudley
02/10/10	143880	Staples	393	Irma Jackson / Ed Dudley
		Total	$492	

Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended in favor of the Academy's General Fund is hereby issued against:

- Irma Jackson, Clerical Assistant, for receiving the checks and entering into the expenditures at the vendors and Ed Dudley, Treasurer, in his supervisory capacity for assuring that all such payments are in accordance with Academy policy, and Western Surety Company, Ed Dudley's bonding company, jointly and severally, for $393;

- Ed Dudley, Treasurer, in his supervisory capacity for assuring that all such payments are in accordance with Academy policy, and Western Surety Company, Ed Dudley's bonding company, jointly and severally liable, in the total amount of $99.

We recommend the Academy ensure proper supporting documentation is retained to evidence all expenditures made and ensure the accuracy of the financial statement presentation. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained along with the expenditures to evidence the details of the goods or services purchased. Such documentation should also be reviewed by the Board during monthly review of financial reports and expenditures to ensure the proper recording and classification of expenditures.

Officials' Response:
On June 27, 2011, $492 was repaid by check and posted to the Academy's General Fund.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2010-005

Payroll Expenditures – Noncompliance Finding – Finding for Recovery Repaid Under Audit and Unpaid

The Academy paid Malcolm Fowlkes, an employee, a payroll advancement in the amount of $300. This payroll advance was never reimbursed to the Academy, either through payroll deductions or a payment to the Academy. Additionally, the Academy reimbursed Marie Congo, Director, for her STRS contribution for one pay. It was not stated in her contract that she would be reimbursed this expenditure, she was not reimbursed for any other pay period, nor was the reimbursement Board approved. The reimbursement of STRS contribution was in the amount of $229.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended in favor of the Academy's General Fund is hereby issued against:

- Malcolm Fowlkes, employee, for $300;
- Marie Congo, Director, for $229.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Accordingly, Ed Dudley, Treasurer, and Western Surety Company, Ed Dudley's bonding company, are jointly and severally liable in the amount of $529 in favor of the Academy's General Fund.

We recommend the Academy pay all employees in accordance with contracted amounts and not issue pay advances.

Officials' Response:
On June 27, 2011, the $229 finding for recovery against Marie Congo was repaid by Marie Congo via check and posted to the Academy's General Fund.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2010-006

Community School Closeout Procedures Assurances – Noncompliance

ORC 3314.015 (E) states that the Ohio Department of Education (ODE) shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the revised code, and other matters related to ceasing operation of the school.

ODE has adopted the “Community School Closing Procedure Assurances”, which governs the reporting of closed community schools in regards to ORC 3314.015 (E). Included in the procedures are that the Academy notify ODE within 24 hours of close of the school, that all Federal grant reports be filed, all assets be separately tracked as to whether they were purchased with Federal grants or state monies, and that all funds be paid in accordance with the disposition process established in the assurances. In addition, the assurances should be submitted to the Office of Community Schools within 30 days of closeout.

The Academy failed to fully complete the “Community School Closeout Procedure Assurances” as prescribed by ODE in the following manner:

- The Academy passed a resolution to close the school on June 2, 2010, but did not notify ODE until June 7, 2010, which is beyond the 24 hours allowed by ODE’s Community School Closing Procedure Assurances;
- The Academy did not file Final Expenditure Reports for their Federal grants;
- The Academy did not track assets bought by Federal grant monies versus state monies;
- The Academy did not establish an ordered list of creditors in order of liquidity dictated by ODE;
- The Academy did not disburse funds on hand and funds received after the closure of the school in an order that did not follow the order of liquidity established by ODE;
- The Academy has yet to disburse remaining residual funds to creditors; and
- The Academy has yet to submit the assurance document to the Office of Community Schools.

Failure to fully complete the “Community School Closeout Procedure Assurances” and it's required steps results in an inability for proper evaluation and monitoring by the Ohio Department of Education and could lead to misappropriation of assets.

We recommend the Academy and its Sponsor, Educational Resource Consultants of Ohio fully complete the assurance document and submit it to the Office of Community Schools.

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD ENDED JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Payroll Remittance – IRS 26 USC Section 3403, 26 Section 3102(a)	No	Not Corrected; re-issued in the management letter
2009-002	Maintaining Documentation	No	Not Corrected; re-issued as Finding 2010-001

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Educational Resource Consultants of Ohio, Inc.
George Washington Carver Preparatory Academy
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

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 George Washington Carver Preparatory Academy (the Academy) 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 could not determine the date the Board adopted an anti-harassment policy.

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

   a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

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

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

   a. A procedure for reporting prohibited incidents;

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

   c. 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;

d. A procedure for documenting any prohibited incident that is reported;

e. A procedure for responding to and investigating any reported incident;

f. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

g. 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;

h. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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 and Educational Resource Consultant's of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

May 27, 2011

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY

FRANKLIN 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
JULY 12, 2011