



Dave Yost • Auditor of State

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
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INDEPENDENT ACCOUNTANTS' REPORT

Lion of Judah Academy
Attn: Romey Coles, Executive Director
4001 Foskett Road
Medina, Ohio 44256

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To The Lion of Judah Academy and the Sponsor:

We were engaged to audit the accompanying basic financial statements of The Lion of Judah Academy, Cuyahoga County (the Academy), as of and for the years ended June 30, 2009 and June 30, 2008. These financial statements are the responsibility of the Academy's management.

For the years ended June 30, 2009 and June 30, 2008, we were unable to obtain evidence of Board approval of the salary and wage amounts paid to the employees. In addition, the Academy did not have on file employment contracts for all employees and personnel files were not available for all employees. As a result, Salaries and Fringe benefits amounts were unsupported.

The Academy did not provide supporting documentation for expenditures for the years ended June 30, 2009 and June 30, 2008 financial statements.

The Academy failed to provide documentation for *Other Revenue* reported on the 2008 financial statements.

The Academy did not provide evidence to support the notes to the financial statements for the years ended June 30, 2009 and June 30, 2008.

The Academy failed to provide supporting documentation for Grants Receivable, Accounts Payable, and Accrued Wages and Benefits Payables, and changes to Beginning Balances, reported for the years ended June 30, 2009 and June 30, 2008 financial statements.

The Academy failed to provide support for the Cash amount presented for the years ended June 30, 2009 and June 30, 2008 financial statements and the statement of cash flows.

The Academy failed to provide support for the Capital Assets amount presented for the years ended June 30, 2009 and June 30, 2008 financial statements.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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 as described in paragraphs two through nine above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion of these financial statements referred to above for the years ended June 30, 2009 and June 30, 2008.

As discussed in Note 13 to the basic financial statements, the Academy voluntarily ceased operations on May 3, 2013 based on a vote by their Governing Board and approved by their Sponsor.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, 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.



Dave Yost
Auditor of State

December 27, 2013

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
UNAUDITED

Presented below is a discussion and analysis of the Lion of Judah Academy financial performance for the fiscal year ended June 30, 2009. The purpose 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 new reporting model adopted by the Governmental Accounting Standard 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

- ✓ In total, net assets were \$ (54,141). Total enrollment for the year was 97 students.
- ✓ Total assets were \$ 154,824.
- ✓ Total liabilities \$ 273,073.

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 revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

This statement was prepared using the accrual basis of accounting and economic resources 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.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
UNAUDITED

Table 1 provides a summary of the school's net assets for fiscal year 2009

		(Table 1)
		Net Assets
		<u>2009</u>
Assets		
Current Assets	\$	10,876
Capital Assets, Net		<u>143,948</u>
Total Assets		<u>154,824</u>
Liabilities		
Current liabilities		273,073
Non-Current Liabilities		<u> </u>
Total Liabilities		<u>273,073</u>
Net Assets		
Invested in Capital Assets		143,948
Restricted		0
Unrestricted		<u>(198,089)</u>
Total Net Assets (Deficit)	\$	<u>(54,141)</u>

Total assets were \$154,824 as of June 30, 2009 and current liabilities of \$273,073. Net assets totalled \$ (54,141) of which the majority were represented by fixed assets of \$143,948 net.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
UNAUDITED

Table 2 Shows the Changes in net assets for Fiscal year 2009

		(Table II) Change in Net Assets
		2009
Operating Revenues	\$	
State Foundation		1,170,105
Poverty Based Assistance		28,271
Total Operating Revenues		1,198,376
Non-Operating Revenues		
Federal and State Grants		341,867
Interest and Other		22,605
Total Non-Operating Revenues		364,472
Total Revenues		1,562,848
Operating Expenses		
Salaries		500,131
Fringe Benefits		121,172
Purchased Services		870,639
Rent		146,403
Materials & Supplies		105,211
Depreciation		54,682
Total Expenses		1,798,238
Change in Net Assets		(235,390)
Net Assets (Deficit) at Beginning of Year		0
Net Assets (Deficit) at End of Year	\$	(235,390)

During fiscal year 2009 the school received a total \$1,198,376 in foundation payments. Additional federal and state grants of \$341,867 was received. Miscellaneous revenues of \$22,605 were received, resulting in total revenues of \$1,562,848. Total expenses were \$1,798,238, resulting in a net decrease in net assets of \$235,390.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
UNAUDITED

Capital Assets

At the end of the fiscal year 2009, the School had \$143,948 invested in capital assets. Table 3 shows the fiscal year detail.

(Table III)
 Capital Assets at June 30, 2009

	2009
Furniture & Equipment	276,432
Leasehold Improvements	6,100
Totals	282,532
Less: Accumulated Depreciation	(138,584)
Net Capital Assets	143,948

For more information on capital assets see the notes to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens 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 Mr. Carl W. Shye Jr., Treasurer at Lion of Judah Academy, 1468 East 55th Street, Cleveland, OH.

LION OF JUDAH ACADEMY
STATEMENT OF NET ASSETS
June 30, 2009

Assets

Current Assets:

Cash and Cash Equivalents	\$	10,876
Grants Receivable		<u>64,108</u>
Total Current Assets		74,984

Non-Current Assets

Capital Assets		<u>143,948</u>
Net Depreciable Assets		<u>143,948</u>

Total Assets		<u><u>218,932</u></u>
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Liabilities

Current liabilities

Accounts payable		174,833
Accrued Wages and benefits payable		<u>98,240</u>

Total liabilities		<u>273,073</u>
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Net Assets

Invested in Capital Assets		143,948
Restricted for Other Purposes		0
Unrestricted		<u>(198,089)</u>

Total Net Assets	\$	<u><u>(54,141)</u></u>
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See the accompanying notes to the financial statements

LION OF JUDAH ACADEMY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	\$	
State Foundation		1,170,105
Poverty Based Assistance		28,271
		1,198,376
<i>Total Operating Revenues</i>		1,198,376
Operating Expenses:		
Salaries		500,131
Fringe Benefits		121,172
Purchased Services		870,639
Rent		146,403
Materials & Supplies		105,211
Depreciation		54,682
		1,798,238
<i>Total Operating Expenses</i>		1,798,238
<i>Operating Income</i>		(599,862)
Non-Operating Revenues:		
Federal and State Grants		341,867
Interest		0
Other		22,605
		364,472
<i>Total Non-Operating Revenues</i>		364,472
<i>Change in Net Assets</i>		(235,390)
<i>Reconciliation of Net Assets</i>		
<i>Net Assets (Deficit) at Beginning of Year</i>		338,021
<i>Adjustment to beginning net assets</i>		(156,772)
<i>Adjusted beginning net assets</i>		181,249
<i>Change in Net Assets</i>		(235,390)
<i>Net Assets at End of Year</i>		(54,141)

See the accompanying notes to the financial statements

**LION OF JUDAH ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Increase (Decrease) in Cash and Cash Equivalents</u>		\$	
<u>Cash Flows from Operating Activities</u>			
Cash Received from the State of Ohio			1,198,376
Cash Received from Food Service			
Cash Received from Other Operating Sources			0
Cash Payments to Suppliers for Goods and Services			(1,122,253)
Cash Payments to Employees for Services			(298,336)
Cash Payments for Employee Benefits			(121,172)
Cash payments for Other Operating Uses			
			(343,385)
<u>Net Cash Used for Operating Activities</u>			
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants-Federal			277,759
Cash Received from Operating Grants-State			0
Cash Received-Other			22,605
			300,364
<u>Net Cash Provided by noncapital Financing Activities</u>			
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Capital Acquisitions			0
Cash Payments form Principal			0
Cash Payments for Interest and Fiscal Charges			0
			0
<u>Net Cash Used for Capital and Related Financing Activities</u>			
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest			0
			0
<u>Net Cash Provided by Investing Activities</u>			
Net Increase (Decrease) in Cash and Cash Equivalents			(43,021)
Cash and Cash Equivalents at Beginning of Year			53,897
			10,876
Cash and Cash Equivalents at End of Year		\$	10,876
<u>Reconciliation of Operating Loss to Cash Used for Operating Activities:</u>			
Operating Loss			(599,862)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation			54,682
Donated Commodities Recorded During the Fiscal Year			0
<u>Changes in Assets and Liabilities:</u>			
Increase in accts receivable			0
Increase (decrease) in Accounts payable			0
Increase in accrued wages			201,795
Increase in Intergovernmental payable			0
Increase in compensated absences			0
			256,477
Total Adjustments			256,477
Net Cash Used for Operating Activities			(343,385)

See the Accompanying notes to the financial statements.

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Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

1. Description of the Reporting Entity

The Lion of Judah Academy, Inc., (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The Academy operates on a foundation, which fosters character building for all students, parents and staff members. 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 acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ashe Resource Consultants of Ohio, (the Sponsor) for a period of five years commencing July 1, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board. The Governing 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 Governing Board controls the Academy's instructional and administrative staff.

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 a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before August 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy'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 on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. Summary of Significant Accounting Policies (Continued)

D. 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 contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent. All Cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operation revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for addition and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$ 500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend and asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 years
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H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt consists 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. Outstanding debt exceeds capital assets, so Invested in Capital Assets, net of Related Debt is not recognized currently.

Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or 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.

I. Operation Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operation.

J. 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 those estimates.

3. Deposits

At fiscal year end June 30, 2009, the carrying amount of the School's deposits was \$ 10,876. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2009, \$100,000 was covered by the Federal Depository Insurance Corporation and \$ 100,000 was protected by a collateral pool of eligible securities deposited with a qualified trustee and there was no exposure to custodial credit risk.

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

The School had no deposit policy for custodial risk beyond the requirements of State statute. 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 repayment, 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 secure.

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

	June 30, 2008	Additions	Deductions	June 30, 2009
Equipment	451,084	--	174,652	276,432
Leasehold Improvements	6,100	--	--	6,100
	451,084	--	174,652	282,532
Less: Accumulated Depreciation	101,782	54,682	17,880	138,584
Total Net Assets	<u>349,302</u>	--		<u>143,948</u>

5. Operating Leases

The Academy has an operating lease for the period of July 1, 2006 through June 30, 2009 with Northeast Ohio Neighborhood Association (NEON) to lease a school facility. The Base rental of the lease is \$ 1,957 per month. Payments totaling \$23,484 were made during the year.

6. Debt

The school has no outstanding debt at June 30, 2009.

7. Risk Management

A. Insurance Coverage

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. During the fiscal year ending June 30, 2007 the Academy contracted for the following insurance coverage:

Coverage Provided by Nationwide Insurance Company:

General Liability:	
Each Occurrence	\$ 500,000
Aggregate	\$1,000,000

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Workers' Compensation

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

8. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the Fiscal Year Ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. 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 Academy's required contribution for pension obligations to SERS for the fiscal year ending June 30, 2009, was \$ 7,241; 100 percent has been contributed for fiscal year June 30, 2009 .

B. State Teachers Retirement Systems

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

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the 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 years of credited service and final average salary, which is the average of the member's three 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) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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 member 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 among 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 the first anniversary of the first day of paid service. Members in the DC Plan who become disabled

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

are entitled only 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.

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

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer 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 reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

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

**Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

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

For the fiscal year June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the fiscal years June 30, 2009, was \$ 53,142.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

9. Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.42%. In addition, SERS levies a surcharge fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health

**Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

care costs for the year ending June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2009, the Board allocated employer contributions equal to 3.42% of covered payroll and adding the surcharge due to the Health Care Reserve Fund. Regarding the Academy, the amount to fund health care benefits, including surcharge, equaled \$12,982 for the fiscal year 2009.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physician's fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion as of June 30, 2006. For the Academy, this amount equaled \$3,795 for the fiscal year ended June 30, 2009.

For the fiscal year ended June 30, 2005 (the latest information available) net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

10. Fiscal Agent

The Academy entered into a contract with Mr. Carl W. Shye Jr. to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate Mr. Shye \$ 48,000 per year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

11. Contingencies

A. Grants

The Academy receives significant financial assistance from numerous 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 agreement and are subject to an 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2007.

B. School Funding

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (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 foundation funding is calculated. ODE has not yet conducted a review of the Academy's 2007 student enrollment data and FTE calculations. For 2009, the Academy does not anticipate revenue adjustments based on the results of any such review.

C. Litigation

A suit was filed in US District Court, Southern District of Ohio, and Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

12. Related Party Transactions

The Church of the Lion of Judah provided transportation services to Lion of Judah Academy during the academic year ended June 30, 2009. During that year the school paid \$11,150 to

**Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

the Church of the Lion of Judah. Bishop Romey Coles who is pastor of the Church is also an employee of the Lion of Judah Academy.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2008
UNAUDITED

Presented below is a discussion and analysis of the Lion of Judah Academy financial performance for the fiscal year ended June 30, 2008. The purpose 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 new reporting model adopted by the Governmental Accounting Standard 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

- ✓ In total, net assets were \$ 338,021. Total enrollment for the year was 97 students.
- ✓ Total assets were \$ 409,299.
- ✓ Total liabilities \$ 71,278.

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 revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

This statement was prepared using the accrual basis of accounting and economic resources 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.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2008
UNAUDITED

Table 1 provides a summary of the school's net assets for fiscal year 2008

		(Table 1)
		Net Assets
		<u>2008</u>
Assets		
Current Assets	\$	53,897
Capital Assets, Net		<u>355,402</u>
Total Assets		<u>409,299</u>
Liabilities		
Current liabilities		71,278
Non-Current Liabilities		<u> </u>
Total Liabilities		<u>71,278</u>
Net Assets		
Invested in Capital Assets		355,402
Restricted		0
Unrestricted		<u>(17,381)</u>
Total Net Assets (Deficit)	\$	<u>338,021</u>

Total assets were \$409,299 as of June 30, 2008 and current liabilities of \$71,278. Net assets totalled \$338,021 of which the majority were represented by fixed assets of \$355,402, net.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2008
UNAUDITED

Table 2 Shows the Changes in net assets for Fiscal year 2008

	(Table II) Change in Net Assets
	2008
Operating Revenues	\$
State Foundation	698,774
Poverty Based Assistance	5,965
Total Operating Revenues	704,739
Non-Operating Revenues	
Federal and State Grants	378,170
Interest and Other	77,354
Total Non-Operating Revenues	455,524
Total Revenues	1,160,263
Operating Expenses	
Salaries	337,914
Fringe Benefits	59,161
Purchased Services	330,356
Rent	61,224
Materials & Supplies	120,890
Depreciation	85,945
Total Expenses	995,490
Change in Net Assets	164,773
Net Assets (Deficit) at Beginning of Year	0
Net Assets (Deficit) at End of Year	\$ 164,773

During fiscal year 2008 the school received a total \$704,739 in foundation payments. Additional federal and state grants of \$378,170 was received. Miscellaneous revenues of \$77,354 were received, resulting in total revenues of \$1,160,263. Total expenses were \$995,490, resulting in a net increase in net assets of \$164,773.

Lion of Judah Academy
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2008
UNAUDITED

Capital Assets

At the end of the fiscal year 2008, the School had \$ 355,402 invested in capital assets. Table 3 shows the fiscal year detail.

(Table III)
Capital Assets at June 30, 2008

	<u>2008</u>
Furniture & Equipment	451,084
Leasehold Improvements	6,100
Totals	457,184
Less: Accumulated Depreciation	<u>(101,782)</u>
Net Capital Assets	<u><u>355,402</u></u>

For more information on capital assets see the notes to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens 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 Mr. Carl W. Shye Jr., Treasurer at Lion of Judah Academy, 1468 East 55th Street, Cleveland, OH.

**LION OF JUDAH ACADEMY
STATEMENT OF NET ASSETS
June 30, 2008**

Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 53,897
	<hr/>
Total Current Assets	53,897
Non-Current Assets	
Capital Assets	355,402
Net Depreciable Assets	<hr/> 355,402
Total Assets	<hr/> 409,299
Liabilities	
Current liabilities	
Accounts payable	2,567
Accrued Wages and benefits payable	<hr/> 68,711
Total liabilities	<hr/> 71,278
Net Assets	
Invested in Capital Assets	355,402
Restricted for Other Purposes	0
Unrestricted	<hr/> (17,381)
Total Net Assets	<hr/> \$ <u>338,021</u>

See the accompanying notes to the financial statements

LION OF JUDAH ACADEMY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:	\$	
State Foundation		698,774
Poverty Based Assistance		<u>5,965</u>
<i>Total Operating Revenues</i>		704,739
Operating Expenses:		
Salaries		337,914
Fringe Benefits		59,161
Purchased Services		330,356
Rent		61,224
Materials & Supplies		120,890
Depreciation		<u>85,945</u>
<i>Total Operating Expenses</i>		995,490
<i>Operating Income</i>		(290,751)
Non-Operating Revenues:		
Federal and State Grants		378,170
Interest		0
Other		<u>77,354</u>
<i>Total Non-Operating Revenues</i>		455,524
<i>Change in Net Assets</i>		164,773
<i>Reconciliation of Net Assets</i>		
<i>Net Assets (Deficit) at Beginning of Year</i>		173,247
<i>Change in Net Assets</i>		<u>164,773</u>
<i>Net Assets at End of Year</i>		<u><u>338,020</u></u>

See the accompanying notes to the financial statements

**LION OF JUDAH ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	\$	
<u>Cash Flows from Operating Activities</u>		
Cash Received from the State of Ohio	704,739	
Cash Received from Food Service		
Cash Received from Other Operating Sources	0	
Cash Payments to Suppliers for Goods and Services	(512,470)	
Cash Payments to Employees for Services	(277,040)	
Cash Payments for Employee Benefits	(59,161)	
Cash payments for Other Operating Uses		
	<hr/>	
Net Cash Used for Operating Activities		<u>(143,932)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Cash Received from Operating Grants-Federal	378,171	
Cash Received from Operating Grants-State	0	
Cash Received-Other	77,354	
		<hr/>
Net Cash Provided by noncapital Financing Activities		<u>455,525</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Cash Payments for Capital Acquisitions	(364,530)	
Cash Payments form Principal	0	
Cash Payments for Interest and Fiscal Charges	0	
		<hr/>
Net Cash Used for Capital and Related Financing Activities		<u>(364,530)</u>
<u>Cash Flows from Investing Activities:</u>		
Cash Received from Interest		<hr/> <u>0</u>
Net Cash Provided by Investing Activities		0
Net Increase (Decrease) in Cash and Cash Equivalents	(52,937)	
Cash and Cash Equivalents at Beginning of Year		<hr/> <u>106,834</u>
Cash and Cash Equivalents at End of Year	\$	<hr/> <u><u>53,897</u></u>
<u>Reconciliation of Operating Loss to Cash Used for Operating Activities:</u>		
Operating Loss		(290,751)
Adjustments to Reconcile Operating Loss to Net Cash Ued for Operating Activities:		
Depreciation	85,945	
Donated Commodities Recorded During the Fiscal Year	0	
Changes in Assets and Liabilities:		
Increase in Inventory for sale	0	
Increase (decrease) in Accounts payable	0	
Increase in Accrued Wages	60,874	
Increase in Intergovernmental payable	0	
Increase in compensated absences	0	
		<hr/>
Total Adjustments		<u>146,819</u>
Net Cash Used for Operating Activities		<u><u>(143,932)</u></u>

See the Accompanying notes to the financial statements.

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Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

1. Description of the Reporting Entity

The Lion of Judah Academy, Inc., (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The Academy operates on a foundation, which fosters character building for all students, parents and staff members. 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 acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ashe Resource Consultants of Ohio, (the Sponsor) for a period of five years commencing July 1, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board. The Governing 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 Governing Board controls the Academy's instructional and administrative staff.

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 a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before August 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy'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 on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

D. 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 contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent. All Cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operation revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for addition and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$ 500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend and asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 years
-----------	---------

H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt consists 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. Outstanding debt exceeds capital assets, so Invested in Capital Assets, net of Related Debt is not recognized currently.

Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or 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.

I. Operation Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
Equipment	92,654	358,430	--	451,084
Leasehold Improvements	--	6,100	--	6,100
	<u>92,654</u>	<u>364,530</u>		<u>457,184</u>
Less: Accumulated Depreciation	<u>15,837</u>	<u>85,945</u>	--	<u>101,782</u>
Total Net Assets	<u><u>76,817</u></u>		--	<u><u>355,402</u></u>

5. Operating Leases

The Academy has an operating lease for the period of July 1, 2006 through June 30, 2009 with Northeast Ohio Neighborhood Association (NEON) to lease a school facility. The Base rental of the lease is \$ 1,957 per month. Payments totaling \$28,982 were made during the year.

6. Debt

The school has no outstanding debt at June 30, 2008.

7. Risk Management

A. Insurance Coverage

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. During the fiscal year ending June 30, 2007 the Academy contracted for the following insurance coverage:

Coverage Provided by Nationwide Insurance Company:

General Liability:

Each Occurrence	\$ 500,000
Aggregate	\$1,000,000

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Workers' Compensation

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

8. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the Fiscal Year Ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. 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 Academy's required contribution for pension obligations to SERS for the fiscal year ending June 30, 2008, was \$ 7,241; 100 percent has been contributed for fiscal year June 30, 2008.

B. State Teachers Retirement Systems

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

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the 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 years of credited service and final average salary, which is the average of the member’s three 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) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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 member 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 among 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 the first anniversary of the first day of paid service. Members in the DC Plan who become disabled

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

are entitled only 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.

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

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer 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 reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

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

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

For the fiscal year June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the fiscal years June 30, 2008, was \$ 24,223.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

9. Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.42%. In addition, SERS levies a surcharge fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

are entitled only 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.

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A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

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**Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

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For the fiscal year June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the fiscal years June 30, 2008, was \$ 24,223.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

9. Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.42%. In addition, SERS levies a surcharge fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

care costs for the year ending June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2007, the Board allocated employer contributions equal to 3.42% of covered payroll and adding the surcharge due to the Health Care Reserve Fund. Regarding the Academy, the amount to fund health care benefits, including surcharge, equaled \$19,676 for the fiscal year 2007.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physician's fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion as of June 30, 2006. For the Academy, this amount equaled \$12,453 for the fiscal year ended June 30, 2007.

For the fiscal year ended June 30, 2005 (the latest information available) net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

10. Fiscal Agent

The Academy entered into a contract with Mr. Carl W. Shye Jr. to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate Mr. Shye \$ 48,000 per year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

11. Contingencies

A. Grants

The Academy receives significant financial assistance from numerous 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 agreement and are subject to an 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2007.

B. School Funding

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (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 foundation funding is calculated. ODE has not yet conducted a review of the Academy's 2007 student enrollment data and FTE calculations. For 2008, the Academy does not anticipate revenue adjustments based on the results of any such review.

C. Litigation

A suit was filed in US District Court, Southern District of Ohio, and Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

12. Related Party Transactions

The Church of the Lion of Judah provided transportation services to Lion of Judah Academy during the academic year ended June 30, 2008. During that year the school paid \$17,640 to

**Lion of Judah Academy
Cuyahoga County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

the Church of the Lion of Judah. Bishop Romey Coles who is pastor of the Church is also an employee of the Lion of Judah Academy.

13. Subsequent Events

The Academy voluntarily ceased operations on May 3, 2013 based on a vote by the Governing Board and approved by Sponsor.

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Dave Yost • Auditor of State

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

Lion of Judah Academy
Attn: Romey Coles, Executive Director
4001 Foskett Road
Medina, Ohio 44256

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To The Lion of Judah Academy and the Sponsor:

We were engaged to audit the basic financial statements of the Lion of Judah Academy, Cuyahoga County, Ohio, (the Academy) as of and for the years ended June 30, 2009 and June 30, 2008 and have issued our report dated December 27, 2013, in which we disclaimed an opinion upon the financial statements because the Academy failed to provide evidence of Board approval of the salary and wage amounts paid to the employees. The Academy did not have on file employment contracts for all employees and personnel files were not available for all employees. The Academy did not provide supporting documentation for expenditures. The Academy failed to provide documentation for *Other Revenue* reported on the financial statements. The Academy failed to provide evidence to support the notes to the financial statements. The Academy failed to provide supporting documentation for Grants Receivable, Accounts Payable, Accrued Wages and Benefits Payables, and changes to Beginning Balances reported on the financial statements. The Academy failed to provide support for Cash reported on the financial statements and the statement of cash flows was unsupported. The Academy failed to provide support for the Capital Assets reported on the financial statements. The Academy also failed to provide written representations. As discussed in Note 13 to the basic financial statements, the Academy voluntarily ceased operations on May 3, 2013 based on a vote by their Governing Board and approved by their Sponsor.

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 2009-001 through 2009-014 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 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 engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-013 and 2009-015 through 2009-024.

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 it.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 27, 2013

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Recovery – Material Noncompliance and Material Weakness – Latter Enterprise, Inc. Expenditures and Interest in a Public Contract

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.

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, were all incorporators of Latter Enterprise. The Academy made payments to Latter Enterprise totaling \$246,198 during 2008 and \$246,440 during 2009, for a total of \$492,638. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-001 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Latter Enterprise, Inc. Expenditures and Interest in a Public Contract (Continued)

Included within the \$492,638 total, the Academy paid Latter Enterprise \$62,553 during fiscal year 2008 and \$85,000 during fiscal year 2009 for which insufficient supporting documentation was provided. Without proper supporting documentation, it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these 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 foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Latter Enterprise, Inc., Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, incorporators of Latter Enterprise in the amount of \$492,638, jointly and severally, and in favor of the Ohio Department of Education.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$492,638 and in favor of the Ohio Department of Education.

This issue has been referred to the Ohio Ethics Commission.

Officials' Response: No substantive response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-002

Finding for Recovery – Material Noncompliance and Material Weakness – Eclipse International, LLC dba: Terrence D. Shelton Expenditures

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.

During 2008 and 2009, the Academy contracted with Eclipse International, LLC dba: Terrence D. Shelton for assistance with the development and creation of the Academy. During 2008, a contract between Eclipse International, LLC dba: Terrence D. Shelton and the Academy stated that a monthly fee of \$2,500 was to be paid from February 2008 to June 2008. In addition to the monthly fees, a \$10,000 retainer was to be paid up front. Based on the contract and invoices, the Academy was billed \$22,500. However, the Academy actually paid Eclipse International, LLC dba: Terrence D. Shelton for the contract from February 2008 to June 2008 \$24,000. The Academy paid \$1,500 more than what was actually billed.

The 2009 contract between Eclipse International, LLC dba: Terrence D. Shelton and the Academy stated that a monthly fee of \$5,000 was to be paid from July 2008 to June 2009. Based on the contract and invoices, the Academy was billed \$60,000. However, the Academy actually paid Eclipse International, LLC dba: Terrence D. Shelton \$83,000. The Academy paid \$23,000 more than what was actually billed.

The Academy's 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.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$24,500 and in favor of the Ohio Department of Education.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003

Finding for Recovery – Material Noncompliance and Material Weakness – Checks Made Payable to Cash & Withdrawals

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.

During the audit period, the Academy issued checks made payable to cash in the amount \$5,931. In addition, the Academy performed cash withdrawals in the amount of \$7,554. The Academy did not provide supporting documentation, such as vendor invoices, for these checks or withdrawals. Therefore, we were unable to determine if the expenditure was for a proper public purpose. These checks are listed below:

1. On July 27, 2007, a counter check (no check number listed) in the amount of \$1,233 was issued by the Academy and was made payable to cash. Rosina Coles, Board President, authorized the withdrawal. The counter check was unsupported; therefore, we could not determine the purpose of the expenditure.
2. On October 24, 2007, a counter check (number 99) in the amount of \$946 was issued and made payable to cash. Rosina Coles, Board President, authorized the withdrawal and Carl Shye was the Treasurer of the Academy at the time. The counter check was unsupported; therefore, we could not determine the purpose of the expenditure.
3. On October 17, 2007, a counter check (number 59) in the amount of \$2,000 was issued and made payable to cash. Rosina Coles, Board President, authorized the withdrawal and Carl Shye was the Treasurer of the Academy at the time. The counter check was unsupported; therefore, we could not determine the purpose of the expenditure.
4. On October 22, 2007, a counter check (no check number listed) in the amount of \$1,752 was issued by the Academy and was made payable to cash. Carl Shye was the Treasurer of the Academy at the time. The counter check was unsupported; therefore, we could not determine the purpose of the expenditure.
5. On May 20, 2008, a cash withdrawal was made from the Academy's non payroll bank account in the amount of \$2,929. Rosina Coles, Board President, authorized the withdrawal and Carl Shye was the Treasurer of the Academy at the time. The cash withdrawal was unsupported; therefore, we could not determine the purpose of the expenditure.
6. On June 11, 2008, a cash withdrawal was made from the Academy's non payroll bank account in the amount of \$120. Rosina Coles, Board President, authorized the withdrawal and Carl Shye was the Treasurer of the Academy at the time. The cash withdrawal was unsupported; therefore, we could not determine the purpose of the expenditure.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Checks Made Payable to Cash & Withdrawals (Continued)

7. On March 14, 2009, a cash withdrawal was made from the Academy's non payroll bank account in the amount of \$2,000. Sheryse Henderson, Office Manager, authorized the withdrawal and Carl Shye was the Treasurer of the Academy at the time. The cash withdrawal was unsupported; therefore, we could not determine the purpose of the expenditure.
8. On March 20, 2009, a cash withdrawal was made from the Academy's non payroll bank account in the amount of \$2,000. Carl Shye was the Treasurer of the Academy at the time. The cash withdrawal was unsupported; therefore, we could not determine the purpose of the expenditure.
9. On December 29, 2008, a cash withdrawal was made from the Academy's payroll bank account in the amount of \$505. Carl Shye was the Treasurer of the Academy at the time. The cash withdrawal was unsupported; therefore, we could not determine the purpose of the expenditure.

The Academy's failure to maintain adequate support for expenditures resulted in a loss of accountability over the Academy's finances.

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, the following individuals are jointly and severally liable in the respective amounts and in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Rosina Coles, Board President (Signatory of the Academy checks, 7/1/07-10/31/07)	\$7,228
Carl Shye Jr., Treasurer (10/15/07-6/30/09)	\$12,252
Sheryse Henderson, Office Manager (7/1/07-6/30/09)	\$2,000

Officials' Response: No substantive response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-004

Finding for Recovery – Material Noncompliance and Material Weakness – Unsupported Debit/Online Banking Expenditures

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.

During the audit period, the Academy issued bank debit charges/transactions in the amount of \$2,886 in which the Academy did not provide supporting documentation (debit card receipts, vendor invoices, or contracts/leases for these payments). Based on this lack of supporting documentation for these debit card transactions, we were unable to determine if these expenditures were for a proper public purpose.

1. On February 1, 2008, a debit memo in the amount of \$1,849 was issued by the Academy. Carl Shye was the Treasurer of the Academy at the time. The debit memo was unsupported; therefore, we could not determine the purpose of the expenditure.
2. On August 17, 2007, a \$145 electronic funds transfer expenditure to Sam's Club was authorized from the Academy's non payroll account. Rosina Coles, Board President, was signatory of the Academy at the time. The electronic funds transfer expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.
3. On September 4, 2007, a \$165 electronic funds transfer expenditure to Office Max was authorized from the Academy's non payroll account. Rosina Coles, Board President, was signatory of the Academy at the time. The electronic funds transfer expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.
4. On September 12, 2007, a \$124 electronic funds transfer expenditure to Intuit Software was authorized from the Academy's non payroll account. Rosina Coles, Board President, was signatory of the Academy at the time. The electronic funds transfer expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.
5. On April 25, 2008, a \$214 electronic funds transfer expenditure to Pat Catan's was authorized from the Academy's non payroll account. Carl Shye was the Treasurer of the Academy at the time. The electronic funds transfer expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.
6. On September 12, 2008, a \$123 electronic funds transfer expenditure to Jack Matia Chevrolet was authorized from the Academy's non payroll account. Carl Shye was the Treasurer of the Academy at the time. The electronic funds transfer expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.
7. On February 4, 2008, a \$266 debit card expenditure to Walmart was authorized from the Academy's non payroll account. Sheryse Henderson was the only authorized credit/debit card user and Carl Shye was the Treasurer of the Academy at the time. The debit card expenditure was unsupported; therefore, we could not determine the purpose of the expenditure.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-004 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Unsupported Debit/Online Banking Expenditures (Continued)

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, the following individuals are jointly and severally liable in the respective amounts and in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Rosina Coles, Board President (Signatory of LOJA checks, 7/1/07-10/31/07)	\$434
Carl Shye Jr., Treasurer (10/15/07-6/30/09)	\$2,452
Sheryse Henderson, Office Manager (7/1/07-6/30/09)	\$266

Officials’ Response: No substantive response was received.

FINDING NUMBER 2009-005

Finding for Recovery – Material Noncompliance and Material Weakness – Checks With No Supporting Documentation

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.

1. On September 27, 2007, two official checks, both in the amount of \$10,750 (totaling \$21,500) were made payable to Terrence Shelton. These checks do not appear to be issued in accordance with the monthly \$2,500 management fee. Rosina Coles, Board President, was signatory of the Academy at the time. The official check was unsupported and the Academy was unable to provide supporting documentation for the expenditure.
2. On January 26, 2008, a check in the amount of \$10,000 was made payable to Gibby Singerman. Carl Shye authorized the check in which the Academy was unable to provide supporting documentation for the expenditure.

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)

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

(Continued)

FINDING NUMBER 2009-005 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Checks With No Supporting Documentation (Continued)

3. On January 16, 2008, a check in the amount of \$468 was issued payable to LaTonya Edwards. The Academy stated that a payroll check was issued to LaTonya but there were insufficient funds in the payroll account, therefore, they reissued a check from their non payroll account. Per review of LaTonya Edwards hiring documentation, LaTonya did not start with the Academy until January 8th, 2008. In addition, the Academy's payroll records indicate that the first payroll check was not issued until February 20th, 2008. Carl Shye authorized this check as signatory in which the Academy was unable to provide sufficient supporting documentation for the check.

The Academy's 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.

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, the following individuals are jointly and severally liable in the respective amounts and in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Rosina Coles, Board President (Signatory of LOJA checks, 7/1/07-10/31/07)	\$21,500
Carl Shye Jr., Treasurer (10/15/07-6/30/09)	\$10,468

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-006

Finding for Recovery – Material Noncompliance and Material Weakness – T-Mobil Surcharges

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 following online payment was authorized by Carl Shye, Treasurer:

On April 23, 2009 an online payment in the amount of \$935.51 was made to T-Mobile for cell phone usage. The Academy was only able to provide a summary of charges received. The summary stated that there were regular charges of \$139.98 and prior month regular charges of \$166.78. However, there were usage charges in the amount of \$553, Other Charges of \$7.71 and Taxes/Surcharges of \$68.04 on the summary. The charges mentioned above that were not regular charges, were not supported with detail as to what the charges were for and were not otherwise approved by the Board. The charges that were not regular charges amounted to \$628.75.

Without appropriate support 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 addition, State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$628 and in favor of the Ohio Department of Education.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-007

Finding for Recovery – Material Noncompliance and Material Weakness – Anew Educational Services Interest in a Public Contract

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Chester Starks Jr., Academy Assistant Superintendent, was the incorporator of Anew Educational Services. The Academy paid Anew Educational Services \$2,571 during 2008 and \$20,060 during 2009. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anew Educational Services and Chester Starks Jr., Academy Assistant Superintendent, jointly and severally, in the amount of \$22,631 and in favor of The Ohio Department of Education.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-007 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Anew Educational Services Interest in a Public Contract (Continued)

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, Carl Shye Jr., Treasurer, is liable in the amount of \$22,631 and in favor of the Ohio Department of Education.

This issue has been referred to the Ohio Ethics Commission.

Officials’ Response: No response was received.

FINDING NUMBER 2009-008

Finding for Recovery – Material Noncompliance and Material Weakness – Karl King, LLC Expenditures and Interest in a Public Contract

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.

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official’s office to secure a public contract in which the public official, a member of the public official’s family, or any of the public official’s business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official’s family, or any of the public official’s associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-008 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Karl King, LLC Expenditures and Interest in a Public Contract (Continued)

(2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;

(3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;

(4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Carlena Williams, Lion of Judah Academy board member and Anthony Hendking, Lion of Judah Academy Board member, owned and operated Karl King, LLC. Carlena Williams was also an employee of Latter Enterprise, the Management Company for Lion of Judah Academy. The Academy made payments to Karl King, LLC totaling \$34,017 during 2008 and \$3,000 during 2009, for a total of \$37,017. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

Included within the \$37,017 total, the Academy paid Karl King, LLC \$7,400 during fiscal year 2008 for which insufficient supporting documentation was provided. Without proper supporting documentation, it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these 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 foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karl King, LLC, Carlena Williams, Board Member of the Academy and employee of Latter Enterprise and Anthony Hendking, Board Member of the Academy, owners of Karl King, LLC in the amount of \$37,017, jointly and severally, and in favor of The Ohio Department of Education.

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.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-008 (Continued)

**Finding for Recovery – Material Noncompliance and Material Weakness – Karl King, LLC
Expenditures and Interest in a Public Contract (Continued)**

Accordingly, the following individuals are jointly and severally liable in the respective amounts and in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Rosina Coles, Board President (Signatory of the Academy checks, 7/1/07-10/31/07)	\$34,017
Carl Shye Jr., Treasurer (10/15/07-6/30/09)	\$3,000

This issue has been referred to the Ohio Ethics Commission.

Officials' Response:

Anthony Hendking and Carlena Williams-Hendking responded in a joint response to this and Finding 2007-001. They are in disagreement with the Findings for Recovery being placed against them because no funds were ever received from Lion of Judah Academy or Latter Enterprises for personal gain and/or use. They also stated that their criminal cases in regard to these matters were dismissed and closed.

No other response was received.

Auditor of State Conclusion:

Anthony Hendking, Carlena Williams-Hendking, and Karl King, LLC contend that they did not experience a personal gain from these transactions and referenced that all criminal charges related to these matters were dismissed and closed by the Cuyahoga County Court of Common Pleas. Ohio Rev. Code 117.28 requires the Auditor of State to issue a finding for recovery when "an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated..." Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. If the parties had complied with Ohio Rev. Code Section 2921.42(C), the contract could have been legal. There was no evidence this section was complied with, making the disbursements illegal and subject to a Finding for Recovery. Issuance of a Finding for Recovery constitutes a preliminary determination by the Auditor of State, in accordance with Ohio Revised Code Section 117.28, that Mr. Hendking, Ms. Williams-Hendking, and Karl King LLC may be liable to a public office for public monies illegally expended and does not constitute a final determination.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-009

Finding for Recovery – Material Noncompliance and Material Weakness – Terrence D. Shelton dba Eclipse International, LLC and Interest in a Public Contract

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.

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Terrence D. Shelton dba Eclipse International, LLC was contracted by Lion of Judah Academy beginning August of 2007 to assist with obtaining federal grant assistance, develop a management company, raise revenue for the Academy and improve academic performance of the Academy. The Academy made payments to Terrence D. Shelton dba Eclipse International, LLC totaling \$112,000 between 2/1/08 to 9/2/09. With the \$112,000, Terrence D. Shelton dba Eclipse International, LLC made payments to the following Lion of Judah Academy related party members:

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-009 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness– Terrence D. Shelton dba Eclipse International, LLC and Interest in a Public Contract (Continued)

Terrence D. Shelton dba Eclipse International, LLC issued checks to Romey Coles, Superintendent of Lion of Judah Academy in the amount of \$2,500 on 2/21/08, \$2,000 on 4/24/08, \$4,000 on 6/17/08, \$2,500 on 10/4/08, \$2,500 on 3/6/09, \$2,500 on 3/24/09, \$2,500 on 5/28/09 and \$2,500 on 6/15/09, totaling \$21,000. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Romey Coles, Superintendent of the Academy, in the amount of \$21,000, and in favor of The Ohio Department of Education.

Terrence D. Shelton dba Eclipse International, LLC issued checks to Latter Enterprise in the amount of \$2,500 on 10/25/08, \$2,500 on 11/25/08, \$2,500 on 12/31/08, \$2,500 on 1/27/09 and \$2,500 on 9/2/09, totaling \$12,500. Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, were all incorporators of Latter Enterprise. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, incorporators of Latter Enterprise in the amount of \$12,500, jointly and severally, and in favor of The Ohio Department of Education.

Terrence D. Shelton dba Eclipse International, LLC issued checks to Chester Starks Jr., Academy Assistant Superintendent of Lion of Judah Academy, in the amounts of \$6,000 on 12/8/08 and \$4,000 on 12/24/08, totaling \$10,000. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chester Starks Jr., Academy Assistant Superintendent, in the amount of \$10,000 and in favor of The Ohio Department of Education.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$43,500 and in favor of the Ohio Department of Education.

This issue has been referred to the Ohio Ethics Commission.

Officials’ Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-010

Finding for Recovery – Material Noncompliance and Material Weakness – Delathian Investments, LLC and Interest in a Public Contract

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.

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Delathian Investments, LLC invoiced the Academy and was paid by the Academy \$10,000 on 6/1/09 to perform services in the area of business & entrepreneurship for the middle and upper grade students. With the \$10,000 received from the Academy, Delathian Investments, LLC made a payment to Latter Enterprise, Inc. in the amount of \$3,857.07 on 9/29/09. Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, were all incorporators of Latter Enterprise, Inc.. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)

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

(Continued)

FINDING NUMBER 2009-010 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness – Delathian Investments, LLC Expenditures and Interest in a Public Contract (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Romey Coles, Superintendent of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, incorporators of Latter Enterprise in the amount of \$3,857, jointly and severally, and in favor of The Ohio Department of Education.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$3,857 and in favor of the Ohio Department of Education.

This issue has been referred to the Ohio Ethics Commission.

Officials’ Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-011

Finding for Recovery – Material Noncompliance and Material Weakness – Church of Lion of Judah Expenditures and Interest in a Public Contract (Continued)

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.

Ohio Rev. Code Section 3314.03(A)(11)(e) requires community schools to comply with Chapter 102. and section 2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

Jon Henderson, Board Member of the Academy, and Trilana Bowling, Board Member of the Academy, were all trustees for the Church of The Lion of Judah. Romey Coles, Superintendent of the Academy, owned and operated the Church of The Lion of Judah. The Academy made payments to the Church of The Lion of Judah totaling \$23,100 during 2008 and \$126,725 during 2009, for a total of \$149,825. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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(Continued)

FINDING NUMBER 2009-011 (Continued)

Finding for Recovery – Material Noncompliance and Material Weakness– Church of Lion of Judah Expenditures and Interest in a Public Contract (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Church of Lion of Judah, Romey Coles, Superintendent of the Academy and owner of the Church of the Lion of Judah, Jon Henderson, Board Member of the Academy and Trustee of the Church of The Lion of Judah, and Trilana Bowling, Board Member of the Academy and Trustee of the Church of The Lion of Judah, in the amount of \$149,825, jointly and severally, and in favor of The Ohio Department of Education.

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, Carl Shye Jr., Treasurer, is liable in the amount of \$149,825 and in favor of the Ohio Department of Education.

This issue has been referred to the Ohio Ethics Commission.

Officials’ Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-012

Material Noncompliance and Material Weakness – Developing and Implementing an Effective Monitoring Control System

Ohio Admin. Code Section 117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C) (5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

The lack of effective monitoring controls could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board of Trustees, and non-compliance with federal or state laws or regulations. This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected. The Academy's failure to provide supporting documentation for expenditures in fiscal years 2009 and 2008 financial statements caused us to disclaim our opinion.

Management should prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-013

Material Noncompliance and Material Weakness – Condition of Accounting Records

Ohio Adm. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records included the following deficiencies:

- Confirmed cash amounts did not agree to the Academy's General Ledger or Financial Statements.
- Support detailing the Capital asset balances on the financial statements was not provided;
- Support detailing the Accrued Wages and Benefits Payable balances on the financial statements was not provided;
- Payroll records did not provide evidence of Board approval of the salary and wage amounts paid to employees. In addition, the Academy did not have on file employment contracts for eight of the 25 employees;
- The Academy did not maintain complete employee personnel files. There were several important documents missing from the personnel files, such as: hiring authorization, deduction authorization form, retirement participation form, Federal Tax withholding form, State Income Tax withholding form, Local Income Tax withholding form, etc;
- Academy did not issue sequential check numbers, issued duplicate check numbers and had numerous instances where the check information did not agree to the Academy's General Ledger;
- Checks and debit transactions paid for furniture, books, professional services, laptops/computers, checks payable to cash and ATM withdrawals did not have support;
- The Academy was sharing a checking account with the Church of Lion of Judah;
- The Academy was unable to provide a complete listing of 1099 forms for the period under audit;
- Support detailing Other Revenue on the financial statements was not provided.
- The Academy failed to provide note support in the financial statements for deposits, capital assets, defined pension plans, postemployment pension plans and related party transactions; and
- The Academy did not disclose any possible subsequent events in the notes to the financial statements and did not disclose that the Ohio Department of Education removed Ashe Culture Center's authority to sponsor Charter Schools in September 2011 and took over as Sponsor.
- Multiple check sequences and large gaps within the check sequences.
- Instances in which the Academy paid overdraft fees and non-sufficient fund fees amounting to \$2,971.
- One instance in which the Academy paid \$553 in overages for one month on their T-Mobile cell phone.
- Instances where the Academy paid late fees on purchases or contract services.
- 11 instances where the check date did not match the General Ledger date.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-013 (Continued)

Material Noncompliance and Material Weakness – Condition of Accounting Records (Continued)

Management failed to provide financials and support documentation; consequently, we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's financial records.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of theft and other fraudulent activities.

The Academy's management had available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It was the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

Officials' Response: No response was received.

FINDING NUMBER 2009-014

Material Weakness – Entity-wide Bank Reconciliation

Reconciliation of the Academy's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Academy. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Academy's records should be accounted for.

We noted the Academy provided support that monthly Academy-wide bank reconciliations were created; however, the reconciliations were not accurate. The Academy did not account for a petty cash bank account the entire audit period, the Academy's balance sheet numbers did not match the bank reconciliation amounts and the bank reconciliation numbers did not match the general ledger at 2009 and 2008 fiscal year ends.

Failure to reconcile bank accounts and resolve discrepancies may result in errors in budgeting and financial reporting. Bank and investment balances should be reconciled with the Academy's cash fund balances on a monthly basis.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-015

Material Noncompliance – Education Information Management System (EMIS)

Ohio Rev. Code Section 3314.08 requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

SOES (effective with fiscal year 2009, ODE renamed the CSADM system as SOES) is the EMIS subsystem that drives funding for community schools. It is a Web application administered by the Ohio Department of Education and used by community schools and traditional public schools to enter and review data used to flow funds to community schools. Community school personnel enter data in the SOES system and traditional public school personnel review, verify or challenge that data.

During the fiscal year 2008 and fiscal year 2009 audit, AOS compared the dates on the Academy's withdrawal list to the dates of withdrawal on the SOES database reports. AOS noted that there were numerous delays in the withdrawal of students on the SOES reports. There were delays in the withdrawal of students from the database up to 201 days in fiscal year 2008 and delays in the withdrawal of students in the database up to 204 days in fiscal year 2009.

By not timely withdrawing students from the SOES database, the number of FTE students used to calculate the funding by ODE could be overstated.

Officials' Response: No response was received.

FINDING NUMBER 2009-016

Material Noncompliance - Five Year Forecast

Ohio Rev. Code Section 3314.03(A)(15) requires the Academy prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Rev. Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Rev. Code.

Ohio Admin. Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a Board of Education shall submit to the Department of Education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a Board of Education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the Department of Education.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-016 (Continued)

Material Noncompliance - Five Year Forecast (Continued)

Although we had evidence of the development of a five year forecast, it did not contain the necessary documents or assumptions to support its projections for fiscal year 2009. Additionally, the school did not submit any forecast for fiscal year 2008.

Without evidence of assumptions used in the forecast and timely submission of the forecast, the Board does not have the necessary information to develop a financial plan for the school year. It is also possible the Board could authorize the expenditure of funds in excess of the estimated amount available.

Officials' Response: No response was received.

FINDING NUMBER 2009-017

Material Noncompliance - Annual Financial Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

Amount of collections and receipts, and accounts due from each source and amount of expenditures for each purpose.

Ohio Admin. Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Rev. Code Section 117.38. This section requires that all community schools file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP standards;
- Cash flow statement as prescribed by GAAP standards; and
- Notes to the financial statements as prescribed by GAAP standards.

The Academy did not file its annual financial report for fiscal year 2008 which was due no later than November 30, 2008, or fiscal year 2009 which was due no later than November 30, 2009. This could result in the maximum fine of \$750 being billed to the Academy for noncompliance with the requirement.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-017 (Continued)

Material Noncompliance - Annual Financial Reporting (Continued)

In addition, Ohio Rev. Code Section 117.38 provides, in part, that "at the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

No evidence was provided, by the Academy, that this required notice was published. This may prevent the public from being aware of the transparency available in the Academy. By not filing their financial reports and annual notice, the Academy is not fulfilling their duties of accountability and transparency to the public.

Officials' Response: No response was received.

FINDING NUMBER 2009-018

Noncompliance - Timely SERS Payments

Ohio Rev. Code section 3309.51 states that each employer shall pay annually into the employers' trust fund, in such monthly or less frequent installments as the school employees retirement board requires, an amount certified by the school employees retirement board, which shall be as required by Chapter 3309. of the Rev. Code.

In reviewing the 2008-2009 School Employees Retirement System of Ohio Employer Statement, the employer activity showed that the Academy was consistently late in making their required payments to the SERS of Ohio. At the end of fiscal year 2009, the Academy owed \$17,781.30 to the SERS of Ohio.

By consistently making late or no payments to the SERS of Ohio, the Academy is causing a loss in interest revenue the SERS trust fund could be generating.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-019

Noncompliance - Taxable Fringe Benefits (\$1,500 Car and Gas Stipend)

Internal Service Revenue Regulation 26 CFR §1.61-21, "Taxation of Fringe Benefits", requires that certain benefits received by employees, such as cash received for car and gas reimbursements, be included as a taxable fringe benefit and be listed on the employee's W-2. IRS Publication 15-B, "Employer's Tax Guide to Fringe Benefits", provides guidelines for reporting employee fringe benefits.

The Employer's Guide to Fringe Benefits states that there are exceptions where fringe benefits received can be exempt from gross income. Instances relating to the reimbursement of travel expenses where reimbursements can be exempt are when the employee follows the accountable plan. The accountable plan is an allowance or reimbursement policy (not necessarily a written plan) under which amounts are nontaxable to the recipient if the following requirements are met:

- There must be a business connection to the expenditure.
- There must be adequate accounting by the recipient within a reasonable period of time.
- Excess reimbursements or advances must be returned within a reasonable period of time.

During the audit period, it was noted that on 8/20/07 the Board approved a \$1,500 per month car and gas expense stipend to Romey Coles. The Academy was unable to provide adequate accounting by Mr. Coles as to the amount actually spent on a vehicle or gas during this period. Per review of the accounting records it appears that Romey Coles was paid \$10,500 in stipend reimbursements from 8/20/07-1/12/08. The payroll records and the calendar year 2007 and 2008 W-2s did not indicate that the \$1,500 per month stipend was included in Mr. Coles W-2s as taxable income.

By not mandating recipients of car and gas reimbursements to submit adequate accounting support, the Academy could be over paying the recipient for reimbursements or reimbursing the recipient for travel unrelated to the Academy activity. In addition, if the Academy is not mandating adequate accounting of car and gas reimbursements, individuals receiving reimbursements could avoid paying required taxes on the reimbursements.

This matter has been referred to the Internal Revenue Service.

Officials' Response: No response was received.

FINDING NUMBER 2009-020

Noncompliance - Issuance of 1099 Forms

Internal Service Revenue Regulation 26 CFR §1.6041-1, requires a Form 1099 be prepared for salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more paid to an independent contractor.

During our audit, we became aware that the Academy paid numerous independent contractors (or other companies) \$600 or more during FY 2008 and FY 2009. It was noted by the Academy that they did not issue any 1099 forms therefore; they did not provide 1099 forms for the audit period.

Per review of the disbursement ledger for fiscal year 2008, the Academy paid the following vendors (other than corporations) and did not issue 1099 forms:

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-020 (Continued)

Noncompliance - Issuance of 1099 Forms (Continued)

Eagle Eye Services, LLC – Performed professional services totaling \$46,120.

Eclipse International, LLC – Provided assistance with federal grant applications and assistance with development and creation of sponsorship activity totaling \$55,500.

Per review of the disbursement ledger for fiscal year 2009, the Academy paid the following vendors (other than corporations) and did not issue 1099 forms:

Latter Enterprise – Provided transportation services totaling \$133,400.

Shemual Solutions – Provided hardware and operating system installation services totaling \$17,203.

Anew Educational Services, LLC – Purchased items that were considered outside the “usual and reasonable” totaling \$20,060.

Eagle Eye Services, LLC – Performed professional services totaling \$71,450.

Eclipse International, LLC – Provided assistance with federal grant applications and assistance with development and creation of sponsorship activity totaling \$67,000.

By not issuing 1099 forms to vendors performing services of \$600 or more to the Academy, these vendors could be avoiding paying income tax that they are required to pay to the IRS.

This matter has been referred to the Internal Revenue Service

Officials’ Response: No response was received.

FINDING NUMBER 2009-021

Noncompliance - Payment of Federal Taxes Withheld

Internal Service Revenue Regulation Chapter 26 Section 3403, “Liability for tax”, requires that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

During our audit, we noted that there was little to no support that the Academy was paying federal tax withheld to the Internal Revenue Service. Per review of an agreement with 2020 Financial Consulting, Inc. on 2/26/09, the Academy owed the Internal Revenue Service approximately \$40,000 as of that date.

By not paying federal withheld taxes when due, the Academy faces late penalties and interest on outstanding balances from the Internal Revenue Service. In addition, the Academy is violating federal law when they avoid paying federal withheld tax.

This matter has been referred to the Internal Revenue Service

Officials’ Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-022

Noncompliance - Sponsorship Monitoring of Academy

ORC 3314.073 (A) states that in lieu of termination of a contract or suspension of the operation of a school as provided for in sections 3314.07 and 3314.072 of the Rev. Code, respectively, after consultation with the governing authority of a community school under its sponsorship, if a sponsor finds that any of the conditions prescribed in division (B)(1) of section 3314.07 of the Revised Code apply to the school, the sponsor may declare in written notice to the governing authority that the school is in a probationary status which shall not extend beyond the end of the current school year. The notice shall specify the conditions that warrant probationary status. The sponsor may declare a school to be in such status only if it has received from the governing authority reasonable assurances to the satisfaction of the sponsor that the governing authority can and will take actions necessary to remedy the conditions that have warranted such probationary status as specified by the sponsor.

One of the conditions listed in ORC 3314.07 that would require a written notice from the sponsor to the governing authority is if a school fails to meet student performance requirements.

During the audit, we noticed that the Ohio Department of Education indicated that the Academy was in academic emergency for the 2008-2009 school year. Per review of the 2008-2009 report submitted to ODE by the sponsor (Ashe) there was an indication of partial non compliance with academic performance but there was no indication as to the actions the sponsor would be taking to correct the academic emergency issue.

By not creating a solution such as declaring a school as being on academic probation when the school is experiencing academic emergency, the sponsor is delaying or possibly preventing a correction to the issue at hand.

Officials' Response: No response was received.

FINDING NUMBER 2009-023

Noncompliance - Bonding of Treasurer

Ohio Rev. Code §3314.011 - Every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule (see OAC 117-6-07 below) that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Ohio Admin. Code § 117-6-07 requires a community school fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Rev. Code §3314.011. The governing authority prescribes the bond amount and surety by resolution.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-023 (Continued)

Noncompliance - Bonding of Treasurer (Continued)

The Academy contracted with Carl Shy Jr., Treasurer, and was unable to provide evidence of a bond.

By not having a bonded treasurer, the Academy could lose out on restitution if Academy monies are mishandled.

Officials' Response: No response was received.

FINDING NUMBER 2009-024

Noncompliance – Anti-Bullying Policy

Ohio Rev. Code Sections 3313.666(A), (B), and (C), and 3314.03(A)(11)(d) Anti-Bullying Provisions require the Board of Education of each city, local, exempted village, and joint vocational school district and the governing authority of each community (charter) school must adopt an anti-bullying policy in consultation with parents, school employees, school volunteers, students, and community members.

The policy must prohibit the harassment, intimidation, or bullying of any student on school property or at a school sponsored activity. It also must define the term "harassment, intimidation, or bullying" in a manner that includes the definition prescribed in HB 276. The act defines that term as "an intentional written, verbal, or physical act that a student has exhibited toward another student more than once and the behavior both (1) causes mental or physical harm to the other student, and (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student."

Each policy also must include the following additional items (Ohio Rev. Code Sections 3313.666(A), (B), and (C), and 3314.03(A)(11)(d)):

- A procedure for reporting prohibited incidents;
- A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- A requirement that the parents or guardians of a student involved in a prohibited incident be notified and, to the extent permitted by state and federal law governing student privacy, have access to any written reports pertaining to the prohibited incident;
- Procedures for documenting, investigating, and responding to a reported incident;
- A requirement the district or community school administration provide semiannual written summaries of all reported incidents to the president of the district board of education or community school governing authority, and post them on the district's or school's website (if applicable);
- A strategy for protecting a victim from additional harassment and from retaliation following a report; and
- The disciplinary procedure for a student who is guilty of harassment, intimidation, or bullying.

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008
(Continued)

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

(Continued)

FINDING NUMBER 2009-024 (Continued)

Noncompliance - Anti-Bullying Policy (Continued)

These items form a framework for districts and community schools to use in developing their policies. The policy must be included in student handbooks and in publications that set forth the standards of conduct for schools and students. Employee training materials must also include information on the policy.

The Academy created an anti-bullying policy, however, the Academy failed to provide evidence that the policy was formally approved by their Board.

Officials' Response: No response was received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2007-001	Finding for Recovery – Unsupported Payments to Anthony Hendking	No	Not repaid
2007-002	Finding for Recovery – Unsupported Payments to Jackie Smith	No	Not repaid
2007-003	Finding for Recovery – Unsupported Payments to Ashe Culture Center	No	Not repaid
2007-004	Finding for Recovery – Unsupported Payments to Ken Johnson	No	Not repaid
2007-005	Finding for Recovery – Unsupported Payments to Rosina Coles	No	Not repaid
2007-006	Finding for Recovery – Unsupported Payments	No	Not repaid
2007-007	Finding for Recovery – Payable to Cash	No	Not repaid
2007-008	Finding for Recovery – Payable to the Academy	No	Not repaid
2007-009	Annual Financial Report	No	Repeated as Finding 2009-017
2007-010	Five Year Forecast	No	Repeated as Finding 2009-016
2007-011	Condition of Accounting Records	No	Repeated as Finding 2009-013
2007-012	Developing and Implementing an Effective Monitoring Control System	No	Repeated as Finding 2009-011
2007-013	Sponsor Contract Compliance	No	Repeated as Finding 2009-022
2007-014	Fiscal Officer Designation, Bonding Requirement, and Licensing	No	Repeated bonding comment, removed licensing comment. See Finding 2009-023

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Lion of Judah Academy
Attn: Romey Coles, Executive Director
4001 Foskett Road
Medina, Ohio 44256

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To The Lion of Judah Academy and 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 Lion of Judah 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.

We noted the Academy created an anti-bullying policy, however, the Academy failed to provide evidence that the policy was formally approved by their Board as required by Ohio Rev. Code Section 3313.666(B).

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.

Lion of Judah Academy
Cuyahoga County
Independent Accountants' Report
On Applying Agreed-Upon Procedure
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

December 27, 2013



Dave Yost • Auditor of State

LION OF JUDAH ACADEMY

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
FEBRUARY 13, 2014