



Dave Yost • Auditor of State

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
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Dave Yost • Auditor of State

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 year ended June 30, 2010. These financial statements are the responsibility of the Academy's management.

For the year ended June 30, 2010, we were unable to obtain evidence of Board approval of the salary and wage amounts paid to four employees. As a result, Salaries and Fringe benefits amounts were not fully supported.

The Academy did not provide supporting documentation for expenditures for the year ended June 30, 2010 financial statements.

The Academy did not provide evidence to support the notes to the financial statements for the year ended June 30, 2010.

The Academy failed to provide supporting documentation for Accounts Payable, Accrued Wages and Benefits Payables, and changes to Capital Assets and Beginning Balances reported for the year ended June 30, 2010 financial statements.

The Academy failed to provide support for the Cash amount presented for the year ended June 30, 2010 financial statements and the statement of cash flows.

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 seven 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 year ended June 30, 2010.

As discussed in Note 22 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 DJUNE 30, 2010
(UNAUDITED)**

Our discussion and analysis of the Lion of Judah Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- Total assets decreased by \$49,683, or 39.4% from 2009.
- Total liabilities decreased by \$173,527, or 83.2% from 2009.
- Total net assets increased by \$123,844, or 150% from 2009.
- Total operating revenues were \$1,028,243. Total operating expenses were \$1,537,622.

USING THIS ANNUAL REPORT

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

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

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

The Academy uses enterprise presentation for all of its activities.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

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

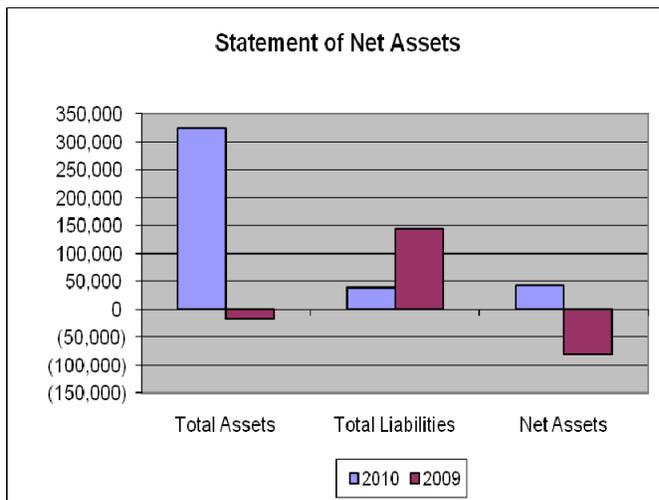
Statement of Net Assets

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

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

**Table 1
Statement of Net Assets**

	2010	2009
Assets		
Current Assets	\$ 38,164	\$ (17,660)
Capital Assets, Net of Accumulated Depreciation	38,411	143,948
Total Assets	76,605	126,288
Liabilities		
Current Liabilities	35,039	208,566
Total Liabilities	38,039	208,566
Net Assets		
Investment in Capital Assets, Net of Unrestricted	38,441	143,948
Related Debt	3,125	(226,226)
Total Net Assets	\$ 41,566	\$ (82,278)



Net assets decreased by \$49,683, or 39.3% from 2009. Capital assets were appraised at year end. Liabilities decreased by \$173,527, or 83.2% from 2009 due to the write-off of unsupported obligations which remained on the statement of net assets.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

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

Statement of Revenues, Expenses and Changes in Net Assets

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

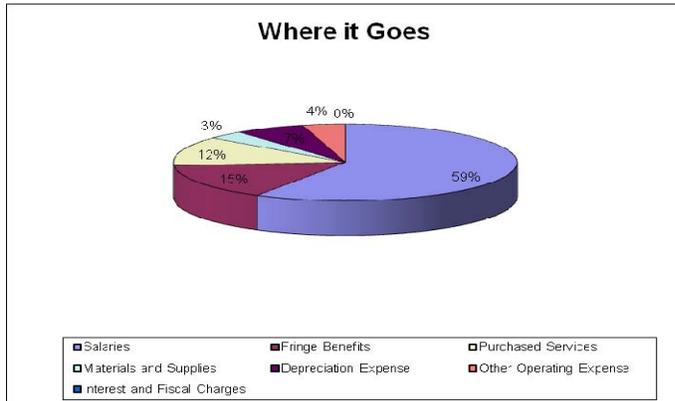
**Table 2
Change in Net Assets**

	2010	2009
Operating Revenue		
Foundation (State Aid)	\$ 977,473	\$ 1,321,532
EMIS	\$5,000	-
Food Service	36,785	
Other	8,985	16,505
	1,028,243	1,338,037
Total Operating Revenues		
 Operating Expenses		
Salaries	505,339	491,836
Fringe Benefits	170,475	105,042
Purchased Services	646,175	822,752
Materials and Supplies	191,623	106,581
Depreciation	24,010	54,682
	1,537,622	1,580,893
Total Operating Expenses		
	(509,379)	(242,856)
Operating Income (Loss)		
 Non-Operating Revenues and (Expenses)		
Federal & State Grants	420,122	154,604
Fiscal Charges & Fees	(5,163)	(10,719)
and (Expenses)	414,959	143,885
 Increase (Decrease) in Net Assets	 \$ (94,420)	 \$ (98,971)

Operating revenues decreased \$309,794, which represents a 23.2% from 2009, due to the decline in state foundation (aid) for the reduction in student enrollment and the recording of food service collection. Operating expenses decreased by \$43,271, which represents a 2.7% decline from 2009 that is attributable to the reduction in purchase services and the depreciation of capital assets. Yet, the Academy did experience an increase in federal and state assistance of \$265,518, or 171% from 2009.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

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



BUDGETING HIGHLIGHTS

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

. The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy must prepared and submit a

detail budget for every fiscal year to the Board of Trustees and its Sponsor. The five-year forecast is also submitted the Ohio Department of Education, annually.

CAPITAL ASSETS

The Academy commissioned Industrial Appraisal Company to evaluate the capital asset held as of June 30, 2010. The physical inspection and inventory phase of this appraisal occurred between October 12, 2010 and October 13, 2010. The appraisal includes property classification of furnishings and equipment in varying sub-asset classes. The valuation of furniture and equipment involve unit pricing based on documentation or quotations available from suppliers and manufactures at retail cost new, plus freight and installation; installation is considered to be mechanically complete.

The appraisal does not include land, non-exhaustible infrastructure outside of the buildings, landscaping, building, additional value due to historical relevance, foodtuff, valuable papers, artwork, trophies, stage sets and props, licensed vehicle, intangible asset and properties of third parties. The Academy had none of these asset classifications. For more information on the capital asset at June 30, 2010 reference to the notes to the financial statements. At June 30, 2010, the Academy investment in capital asset was \$38,441, net of accumulated depreciations.

DEBT OBILIGATIONS

The Academy does not have any debt obligation other than the current payables.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

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

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**Statement of Net Assets
At June 30, 2010**

Assets	<u>2010</u>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ (31,431)
Intergovernmental Receivable	<u>69,595</u>
Total Current Assets	38,164
<i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Depreciable Capital Assets, net	<u>38,441</u>
<i>Total Noncurrent Assets</i>	<u>38,441</u>
Total Assets	<u><u>\$ 76,605</u></u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	<u>35,039</u>
Total Current Liabilities	35,039
Total Liabilities	<u><u>\$ 35,039</u></u>
Net Assets	
Investment in Capital Assets, net	38,441
Unrestricted	<u>3,125</u>
Total Net Assets	<u><u>\$ 41,566</u></u>

See accompanying notes to the basic financial statements

**LION OF JUDAY ACADEMY
CUYAHOGA COUNTY**

**Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Year Ending June 30, 2010**

<u>Operating Revenues:</u>	
State Foundation (Aid)	\$ 977,473
EMIS	5,000
Food Service	36,785
Other	8,985
Total Operating Revenues	<u>1,028,243</u>
<u>Operating Expenses:</u>	
Salaries	505,339
Fringe Benefits	170,475
Purchased Services	646,175
Materials and Supplies	191,623
Depreciation	24,010
Total Operating Expenses	<u>1,537,622</u>
Operating Loss	(509,379)
<u>Non-Operating Revenues (Expenses):</u>	
Federal & State Grants	420,122
Fiscal Charges & Fees	<u>(5,163)</u>
Total Non-Operating Revenues (Expenses)	<u>414,959</u>
Change in Net Assets	<u>(94,420)</u>
Net Assets Beginning of Year, as restated (See Note 18)	135,986
Net Assets End of Year	<u><u>\$ 41,566</u></u>

See accompanying notes to the basic financial statements

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$977,473
Cash Received from Other Operating Sources	50,770
Cash Payments to Suppliers for Goods and Services	(646,175)
Cash Payments to Employees for Services	(505,339)
Cash Payments for Employee Benefits	(170,475)
Other Cash Payments	<u>(191,623)</u>

Net Cash Used for Operating Activities (485,369)

Cash Flows from Noncapital Financing Activities

Cash Received from Operating Grants 483,756

Net Cash Provided by Noncapital Financing Activities 484,229

Cash Flows from Capital and Related Financing Activities

Cash Payments for Interest and Fiscal Charges	(5,163)
Cash Payments for Principal Payments	<u>(7,904)</u>
	(13,067)

Net Cash Provided by (Used in) Capital Financing Activities -

Net Decrease in Cash and Cash Equivalents (14,680)

Cash and Cash Equivalents Beginning of Year (17,660)

Cash and Cash Equivalents End of Year \$ (31,340)

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010
(Continued)**

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Operating Gain (Loss)	\$ (509,379)
Depreciation	24,010
Changes in Assets and Liabilities:	
Intergovernmental Payable	218,264
Intergovernmental Receivable	(69,595)
Accounts Payable	<u>\$ (148,669)</u>
	-
Net Cash Provided by (Used in) Operating Activities	(485,369)

See accompanying notes to the basic financial statements

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE 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 Ohio State Board of Education (the Sponsor) for a period of five years commencing on 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 populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Governing Board controls the Academy's instructional and administrative staff.

On July 1, 2009 the Academy executed a management agreement with Latter Enterprises, an Ohio corporation with its successor and assignees. The management company confirms to conduct services for and behalf of the Academy for a percentage of its receipts. The Academy further contracted for the management company to provide student transportation, conduct food service operations, to operate the Academy and other services. (See Note 13)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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

B. Measurement Focus and Basis of Accounting

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

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the Academy's sponsorship agreement. The contract between the Academy and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. The Academy has no investment.

E. Estimates

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

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Capital assets were \$38,441, as of June 30, 2010, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets, utilizing the half-year convention with consideration given to the salvage value. The useful lives follow:

<u>Asset</u>	<u>Useful Life</u>
Computers and Equipment	5 years

The Academy has an asset capitalization threshold policy of \$500. (See Note 5) Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompany statement of net assets.

The Industrial Appraiser Company evaluated the Academy's capital assets to establish the historical cost, useful life and residual values of assets on hand at June 30, 2010. The amount represented in the accompany statement of net assets reflects the appraiser's estimates based on their evaluation, less accumulated depreciation as of June 30, 2010.

G. Intergovernmental Revenues

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

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

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

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

Under the above programs the Academy received \$1,402,595 this fiscal year.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Vacation is taken in a manner in which corresponds with the school calendar; therefore Academy does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements which consist of accounts payable of \$35,039 at June 30, 2010.

J. Exchange and Non-Exchange Transactions

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

K. Net Assets

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

L. Operating Revenues and Expenses

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

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

3. CASH AND CASH EQUIVALENTS

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

The Academy maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000, per qualifying account. At June 30, 2010, the book amount of the Academy’s deposits was \$(31,431) and the bank balance was \$23,329.

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

The total bank balance was insured by the (FDIC) up to \$100,000. Deposits in excess of \$100,000 are secured by pooled collateral. The Academy had no investments.

4. INTERGOVERNMENTAL RECIEVABLE

The Academy has intergovernmental receivables totaling \$69,595 at June 30, 2010. Intergovernmental receipts are comprised of the following:

Title 1	24,391
Improving Teacher Qlty	1,112
Technology	342
Special Education	2,559
ARRA Title 1	38,936
ARRA Special Education	2,275
Total	\$ 69,595

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

5. CAPITAL ASSETS AND DEPRECIATION

For the period ending June 30, 2010, the Academy's capital assets consisted of the following:

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>
Capital Assets Being Depreciated:				
Equipment	\$ 9,682	\$ -	\$ -	\$ 9,682
Office Machines & Devices	19,517			19,517
Audio Visual	24,829			24,829
EDP & Telephone System	191,672			191,672
Food Service & Equipment	11,592			11,592
Music Equipment, Instruments	752			752
Total Capital Assets Being Depreciated	255,044	-	-	255,044
Less Accumulated Depreciation:				
Equipment	(1,946)	(581)		(2,527)
Office Machines & Devices	(9,291)	(2,065)		(11,356)
Audio Visual	(13,762)	(3,934)		(17,696)
EDP & Telephone System	(155,905)	(17,430)		(173,335)
Food Service & Equipment	(11,012)			(11,012)
Music Equipment, Instruments	(677)			(677)
Total Accumulated Depreciation	(192,593)	(24,010)	-	(216,603)
Net Total Capital Assets	\$ 62,451	\$ (24,010)	\$ -	\$ 38,441

6 DEBT- Short -term Loan from Management Company

During the fiscal year ending 2010, the Academy received a short-term loan from the management company. No interest or other finance charges were assessed. The following is a summary:

<u>Loan Amount</u>	<u>Balance June 30,2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30,2010</u>
\$ 7,909	\$ 0	\$ 7,909	\$ 7,909	\$ 0

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

7. RISK MANAGEMENT

A. Property & Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2010, the Academy contracted with Pinkney-Perry, Inc. for coverage through The Hartford for general and commercial liability in the following insurance coverage:

Each Occurrence	1,000,000
Damage	300,000
Med	10,000
Personnel	1,000,000
Aggregate	2,000,000
Products	2,000,000

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The Academy provides medical, insurance benefits through Kaiser-Permanente and dental benefits through Humana, Inc. to all full time employees. The Academy pays 50% of the monthly premium for medical insurance and no payment for dental coverage.

8. DEFINED BENEFIT PENSIONS PLANS

A. State Employees Retirement System of Ohio (SERS Ohio)

Plan Description – The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/Audit Resources.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. State Employees Retirement System of Ohio (SERS Ohio) (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy contributions to SERS for the year ended June 30, 2010, 2009 and 2008 were \$63,238, \$5,718 and \$3,806, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System (STRS Ohio)

The State Teacher Retirement System is a cost-sharing, multi-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision.

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 members contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan a, members contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payments at a reduced level from the 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 to the DB 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 members may retire who has (i) five year of service credit and attained age 60, (II) 25 years of service credit and attained age 55;, or (iii) 30 year of service credit regardless of ages. 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.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

For members with 35 years or more of Ohio contributing services, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchases 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 and 3307.89 of the Revised Code. For members who select the DC Plan, all members’ contributions and employer contributions at a rate of 10.5% are placed in an investment account. The members determined how to allocate the members 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 member’s accounts are vested after the first anniversary of the first day of the paid service. Members in the DC Plan who become disabled are entitled only to their account balances. 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

Members contributions are allocated by the members 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’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS of Ohio or another Ohio public retirement system is eligible for reemployment as 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contribution with interest before age 65, once employment is terminated.

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

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

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSIONS PLANS

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

A DB and Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC and Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for members and employer contributions. Contributions rates 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.

Contributions requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. Employers contributions actually paid should be disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years. Members and employer contributions actually made for DC and Combined Plan participants will be provide upon written request.

STRS Ohio issues a stand-alone financial report. Copies of the STRS Ohio's 2010 *Comprehensive Annual Financial Report* will be available after December 17, 2010.

Additional information or copies of the STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio, 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

C. Social Security System

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

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POST EMPLOYMENT BENEFITS (Continued)

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

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

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76%. The Academy contributions for the years ended June 30, 2010, 2009 and 2008 were \$34,329, \$5,719 and \$179, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POST EMPLOYMENT BENEFITS

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

Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$2,078, \$1,699 and \$1,136, respectively. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

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

Plan Description –

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan: self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan; STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plan. Coverage under the current program includes hospitalization, physicians' fess, prescription drugs and reimbursement of monthly Medicare Part B Premiums.

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

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

Funding Policy –

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

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the Academy as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has not been performed for the fiscal year 2009 and 2010, as of June 30, 2010.

11. SPONSORSHIP-ACHE CULTURE CENTER, INC.

The Academy contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the Academy from the State of Ohio. For the fiscal year ended June 30, 2010, the total sponsorship fees paid totaled \$26,077.

The Sponsor invoiced the Academy in advance for its July 2010 sponsorship fee totaling \$2,877. This amount was originally recorded as an account payable, through reclassification the amount is reported as an asset in the statement of net assets at June 30, 2010.

The Academy on August 9, 2009 executed a "sponsor supplemental agreement" for specified services under the contract including but limited to providing consulting services by Bess Vretto at \$250 an hour, or \$6,250. The Academy was invoiced by Ache' Culture Center. The contract period was September 1, 2009 through June 30, 2010. The Sponsor billed the Academy for \$23,139 under this agreement of which \$12,500 was paid to Bess Vretto.

12 L.E.D. CONSULTING, INC. –Treasury Services

The Academy entered into a contract with L.E.D. Consulting, Inc. on July 1, 2009 to provide treasurer services, as defined by the contract. The Academy paid \$4,000 per month for the duration of the agreement effective until terminated by mutual agreement of the parties. The Academy paid \$48,000 for these services for the fiscal year ending June 30, 2010, and other minimum reimbursements expenses incurred.

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

13. LATTER ENTERPRISE –Management Company

A. Educational Facilities Lease

The Academy effective November 30, 2009 entered into agreement with Latter Enterprise to lease the space located at 1486 E. 55th Street for \$8,333 per month. The Academy as the sub-tenant is required to pay utilities, building modification, improvements and repairs, and reimburse the management company for insurance premiums. The Prime tenant is Latter Enterprise, the management company, and Greenovate LLC., an Ohio limited partnership is the landlord. The Academy paid the management company \$66,664 in lease payments for the fiscal year ended June 30, 2010.

The original lease period is from November 1, 2009 through June 30, 2010. There are no provisions in the contract for any renewal options beyond the original lease term. Another lease agreement was executed for the 2010-11 school year, however.

B. Management Company

The Academy entered into an agreement on July 1, 2009 with Latter Enterprise, an Ohio corporation to act as its management company. The management company is to implement and administer educational programs; manage all personnel functions, including professional development and all instruction of personnel and the personnel function; provide the head of schools and the human service director; daily management of the CCIP and EMIS; curriculum development and compliance with Ohio Department of Education; marketing pursuant a separate agreement of the parties; staff development; calling in payroll; facility maintenance and lease; providing school transportation; and, implementing and coordinating the school's breakfast and lunch program.

The Academy is required under the agreement to pay monthly 5%-18% on collected receipts to the management company. As well as, pay the management company for transportation, food service operation and other charges imposed under the educational facility lease agreement, aforementioned.

Under the two agreements, the educational facilities lease and the management company agreement for the year ended June 30, 2010, the Academy remitting the following by category to the management company for services:

Payment by Category	Amount
Rent	66,664
Management Fees	151,010
Food Service	76,316
Renovations	16,000
Other	15,950
	\$ 325,940

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LATTER ENTERPRISE –Management Company (Continued)

B. Management Company (Continued)

The above payments are reflected in the accompanying statement of revenues, expenses and changes in fund net assets as part of purchase services. All federal and state food service reimbursement receipts received by the Academy were remitted to the management company to cover the cost incurred by the management company for implementing and coordinating the Academy's food service program.

C. Expenses Paid On-behalf of the Academy

For the years ended June 30, 2010, Latter Enterprises incurred the following expenses on behalf of the Academy.

Insert numbers provided by Bishop Coles

D. Transportation Cost

Under the provisions of the management agreement Latter Enterprises provided student transportation for the Academy separate from the monthly management fees assessed. As of June 30, 2010, Latter has not invoiced the Academy for these services for the fiscal year ended June 30, 2010. The contract does not detail how these fees are calculated and consequently the accompanying financial statements do not reflect this cost incurred, due to the inability to reasonably estimate the cost.

14. EXCEPTIONAL PSYCHOLOGICAL SERVICE, INC.

Exceptional Psychological Services provided psychological and related services, multi-factored evaluations, and identification of students with suspected disabilities, and/or individual or group counseling to the Academy. The parties agreed the Academy would pay \$650 for each evaluation and \$90 per hour for individual and group counseling. The Academy paid \$13,300 for the fiscal year ended June 30, 2010 for these services.

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

15. B & M BAR B QUE AND CATERING, INC - Interim Food Service Operations

B & M Bar B Que and Catering, Inc prepares, delivers and serves daily school breakfast and lunch to the students, prior to the execution of the management company agreement. The contract required the Academy to pay \$1.30 and \$2.30, per breakfast and lunch meal purchased, respectively. The Academy paid \$4,000 for these services during the fiscal 2010, but owes \$5,012 which is included in the accounts payable balance in the statement of net assets.

16. PURCHASE SERVICES

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

	2010
Professional and Technical Services	128,725
Property Services	66,664
Utilities	17,423
Communications	2,919
Contractual Trade Services	429,645
Pupil Support	799
	\$646,175

17. AUDITOR OF STATE OF OHIO

As required by Ohio Administrative Code Section 117, the Auditor of the State of Ohio performs annual financial statement and compliance audits of the state's governmental units, including community schools, of which the Academy is defined. The State Auditor has billed the Academy to date \$13,510 in fees incurred for audits conducted to meet their statutory obligation. As of June 30, 2010, the Academy has not paid any monies to reduce this obligation. At June 30, 2010, the Academy owed the State Auditor \$13,510 for fees incurred for the financial statement and compliance audits; the outstanding balance is reflected as part of the accounts payable balance in the statement of net assets at June 30, 2010.

The Auditor of State of Ohio has the authority by Ohio statute to collect unpaid fees through the reduction of the Academy's foundation (state aid) payments. As of June 30, 2010, the Auditor has not exercised this option.

**LION OF JUDAH ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)**

18. PRIOR PERIOD ADJUSTMENT – Restatement Note

The Academy's QuickBooks file at June 30, 2010 represented obligations on the statement of net assets where the account balance could not be substantiated by any competent evidence to support the completeness, accuracy or rights and obligation of the comprised individual transactions. Consequently, these amounts were removed from the financial statements, effective June 30, 2009, with the following adjustment, as summarized below:

Net Assets At June 30, 2009:	\$ (82,278)
<u>Prior Period Adjustments</u>	
<i>Unsupported Journal Entries:</i>	
Accrued Payroll	71,376
Intergovernmental Payable	32,438
Accounts Payable	114,450
	<u>218,264</u>
Net Assets Restatement, June 30, 2009:	<u><u>\$ 135,986</u></u>

19. ON-GOING CONCERN

The Academy has experienced an operating loss for the fiscal year ending June 30, 2010. The Academy has developed a budget approved by the Board and monitored by management and the Treasurer to ensure expenditures remain within available resources. Other cost limiting measures have also been implemented under the direction of the Board.

20. RELATED PARTY TRANSACTION

The Academy paid payments to Exceptional Psychological Service, Inc. for services governed by the contract. The Exceptional Psychological Service, Inc. is owned by Dr. Chuck. Dr. Chuck is the wife of Dr. David Whitaker of Ashe' Culture Center, the sponsor. The Academy paid Dr. Chuck \$13,300 in the fiscal year ended June 30, 2010.

21. SUBSEQUENT EVENT

The Academy's sponsor contract with Ashe Culture Center, Inc. expires June 30, 2011. The Sponsor on March 27, 2011 notified the Academy of its intention not to renew the contract by and between the Academy and the Sponsor after the current contract expires. Under Ohio law, the Academy must have a sponsor in order to operate.

The Academy does have certain remedies under Ohio Revised Code 3314.07 through the repeal process with the State Board of Education. The Academy has neither exercised these remedies, nor secured another sponsor.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

22. MANAGEMENT PLAN

Ashe Culture Center, the Academy's sponsor, renewed its sponsorship of the Academy and the current agreement would have expired on June 30, 2012. However, the Ohio Department of Education removed Ashe Culture Center's authority to sponsor charter schools in September of 2011. Pursuant to the Ohio Revised Code, the Academy may not operate without a sponsor. The Ohio Department of Education took over sponsorship of the Academy at that time. The Academy voluntarily ceased operations on May 3, 2013 based on a vote by their Governing Board and approved by their Sponsor.



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, 2010 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 four employees. The Academy did not provide supporting documentation for expenditures. The Academy failed to provide evidence to support the notes to the financial statements. The Academy failed to provide supporting documentation for Accounts Payable, Accrued Wages and Benefits Payables, and changes to Capital Assets and Beginning Balances reported on the financial statements. The Academy also failed to provide support for Cash reported on the financial statements and the statement of cash flows. The Academy also failed to provide written representations. As discussed in Note 22 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 2010-001 through 2010-010 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 2010-001 through 2010-019.

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, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

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 Rev. 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, Executive Director 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 \$383,553 during 2010. 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, 2010
(Continued)**

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

**FINDING NUMBER 2010-001
(Continued)**

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

Included within the \$383,553 total, the Academy paid Latter Enterprise \$29,964 during fiscal year 2010 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 Latter Enterprise, Inc., Romey Coles, Executive Director of the Academy, Rosina Coles, Board President, and Sheryse Henderson, Business Manager for the Academy, incorporators of Latter Enterprise in the amount of \$383,553, 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, Edward Dudley Jr., Treasurer, is liable in the amount of \$383,553 and in favor of the Ohio Department of Education.

This issue was referred to the Ohio Ethics Commission.

Officials' Response: Mr. Dudley responded through his attorney. Regarding findings 2010-001 through 2010-003, Mr. Dudley asserts that the findings do not allege that Mr. Dudley was at all involved in the decision-making process that gave rise to the impermissible public contracts. Nor do they allege that Mr. Dudley benefitted from or had any interest whatsoever in the impermissible contracts. Mr. Dudley was not an incorporator, trustee or board member of any of the entities involved and had no pre-existing relationships with any of the individuals or entities referenced in the findings. Nor was Mr. Dudley an employee of Lion of Judah Academy. Mr. Dudley does not dispute that he was the designated fiscal officer during the relevant period of time and does not dispute that Ohio law also holds public officials who control public funds liable when those are illegally expended. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

No other substantial response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-002

Finding for Recovery – Material Noncompliance and Material Weakness – The Church of the Lion of Judah 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 Rev. 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, Executive Director 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 \$6,435 during 2010. 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, 2010
(Continued)**

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

**FINDING NUMBER 2010-002
(Continued)**

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

Included within the \$6,435 total, the Academy paid The Church of the Lion of Judah \$6,435 during fiscal year 2010 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 the Church of The Lion of Judah, Romey Coles, Executive Director 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 \$6,435, 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, Edward Dudley Jr., Treasurer, is liable in the amount of \$6,435 and in favor of the Ohio Department of Education.

This issue was referred to the Ohio Ethics Commission.

Officials' Response: Mr. Dudley responded through his attorney. Regarding findings 2010-001 through 2010-003, Mr. Dudley asserts that the findings do not allege that Mr. Dudley was at all involved in the decision-making process that gave rise to the impermissible public contracts. Nor do they allege that Mr. Dudley benefitted from or had any interest whatsoever in the impermissible contracts. Mr. Dudley was not an incorporator, trustee or board member of any of the entities involved and had no pre-existing relationships with any of the individuals or entities referenced in the findings. Nor was Mr. Dudley an employee of Lion of Judah Academy. Mr. Dudley does not dispute that he was the designated fiscal officer during the relevant period of time and does not dispute that Ohio law also holds public officials who control public funds liable when those are illegally expended. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

No other substantial response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-003

Finding for Recovery – Material Noncompliance and Material Weakness – Anew Educational Services, LLC Expenditures and Unlawful 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 Rev. 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., Assistant Superintendent of the Academy, owned and operated Anew Educational Services, LLC. The Academy made payments to Anew Educational Services, LLC totaling \$6,160 during 2010. 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 Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anew Educational Services, LLC and Chester Starks Jr., Academy Assistant Superintendent, in the amount of \$6,160, jointly and severally liable, and in favor of The Ohio Department of Education.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

**FINDING NUMBER 2010-003
(Continued)**

Finding for Recovery – Material Noncompliance and Material Weakness – Anew Educational Services, LLC Expenditures and Unlawful 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, Edward Dudley Jr., Treasurer is liable in the amount of \$6,160 and in favor of the Ohio Department of Education.

This issue was referred to the Ohio Ethics Commission.

Officials’ Response: Mr. Dudley responded through his attorney. Regarding findings 2010-001 through 2010-003, Mr. Dudley asserts that the findings do not allege that Mr. Dudley was at all involved in the decision-making process that gave rise to the impermissible public contracts. Nor do they allege that Mr. Dudley benefitted from or had any interest whatsoever in the impermissible contracts. Mr. Dudley was not an incorporator, trustee or board member of any of the entities involved and had no pre-existing relationships with any of the individuals or entities referenced in the findings. Nor was Mr. Dudley an employee of Lion of Judah Academy. Mr. Dudley does not dispute that he was the designated fiscal officer during the relevant period of time and does not dispute that Ohio law also holds public officials who control public funds liable when those are illegally expended. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

No other substantial response received.

FINDING NUMBER 2010-004

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.

On August 27, 2009 the Academy issued check number 6359 in the amount of \$500 payable to Romey Coles for which insufficient supporting documentation was provided. This payment was authorized by Edward Dudley Jr., Treasurer, and we could not determine the purpose of the expenditure.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

(Continued)

**FINDING NUMBER 2010-004
(Continued)**

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

On December 15, 2009 the Academy issued check number 6428 in the amount of \$6,000 payable to ARC Construction and Development for which insufficient supporting documentation was provided. This payment was authorized by Edward Dudley Jr., Treasurer, and we could not determine the purpose of the expenditure.

On April 15, 2010, the Academy issued check number 6509 in the amount of \$4,480 payable to I Can Schools for which insufficient supporting documentation was provided. This payment was authorized by Edward Dudley Jr., Treasurer, and we could not determine the purpose of the expenditure.

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 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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edward Dudley Jr., Treasurer in the amount of \$10,980 in favor of the Ohio Department of Education.

Officials' Response: Mr. Dudley responded through his attorney. Regarding findings 2010-004, 2010-006, and 2010-008, Mr. Dudley does not allege adequate documentation existed to support the above-referenced expenditures. Rather Mr. Dudley contests that he should be held responsible for the lack of documentation. Mr. Dudley resigned as the designated fiscal officer of Lion of Judah Academy in June of 2012. At the time of his resignation he was required to turn over all school-related documents to School officials, including those that would provide support for the expenditures questioned in these findings. Accordingly Mr. Dudley had no control over how the supporting documentation was retained going forward, nor did he have the ability to ensure that the requisite information was provided to the Auditors. In addition, at all times during which Mr. Dudley served as the School's fiscal officer, others, including the recently indicted Bishop Coles and Ms. Henderson, had access to the school's financial accounts and made payments from those accounts without Mr. Dudley's knowledge. Under Ohio's Public Records Act, the public office is responsible for retaining its records in accordance with its records retention policy. Accordingly, Lion of Judah Academy and its Governing Board were responsible for providing supporting documentation for these expenditures to the Auditors, not Mr. Dudley. To compound this issue, the Notice of Proposed Findings is dated October 7, 2013, which means the Auditors are still working on the final audit report for the period ending June 30, 2010; more than three years after the end of the relevant fiscal year. However, the School is now defunct, the Governing Board has disbanded, and Mr. Dudley is being held solely liable for the related findings, purely by technical operation of law. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-005

Finding for Recovery – Material Noncompliance and Material Weakness – Romey Coles Health Insurance Payments

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 fiscal year, Romey Coles, Executive Director, received health insurance benefits paid by the Academy even though he was not an employee and not eligible for these benefits. The Academy paid 100% of the monthly cost and we could find no evidence that the Executive Director paid any portion. The Academy paid \$9,573 for fiscal year 2010.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Romey Coles, Executive Director, in the amount of \$9,573 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, Edward Dudley Jr., Treasurer, is liable in the amount of \$9,573 and in favor of the Ohio Department of Education.

Officials' Response: Mr. Dudley responded through his attorney. Regarding this finding, Mr. Dudley notes the finding does not suggest he was at all involved in the decision to provide health insurance benefits to Coles or even specifically knew that Bishop Coles was receiving health insurance benefits through the School. Yet, in the end, Mr. Dudley is being held financially responsible for others' misdeeds and malfeasance. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

(Continued)

FINDING NUMBER 2010-006

Finding for Recovery – Material Noncompliance and Material Weakness – Unsupported Gift Card 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.

On December 9, 2009 the Academy issued check number 6414 in the amount of \$531.86 payable to National City Bank. This payment was authorized by Edward Dudley Jr., Treasurer, and Chester Starks Assistant Executive Director. The payment was for purchases made with a gift card. Of this amount, \$427 was unsupported.

On January 7, 2010 the Academy issued check number 6434 in the amount of \$750 payable to National City Bank. This payment was authorized by Edward Dudley Jr., Treasurer. The payment was to purchase a gift card and no supporting documentation was provided.

On March 23, 2010 the Academy issued check number 6501 in the amount of \$500 payable to National City Bank. This payment was authorized by Edward Dudley Jr., Treasurer. The payment was to purchase a gift card and no supporting documentation was provided.

On April 22, 2010 the Academy issued check number 6526 in the amount of \$1,000 payable to PNC Bank. This payment was authorized by Edward Dudley Jr., Treasurer, and Sheryse Henderson, Office Manager. The payment was to purchase a gift card. Of this amount, \$243 was unsupported.

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.

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:

Name	Amount
Edward Dudley Jr., Treasurer	\$1,920
Chester Starks, Assistant Executive Director	\$427
Sheryse Henderson, Office Manager	\$243

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

(Continued)

**FINDING NUMBER 2010-006
(Continued)**

Finding for Recovery – Material Noncompliance and Material Weakness – Unsupported Gift Card Expenditures (Continued)

Officials' Response: Mr. Dudley responded through his attorney. Regarding findings 2010-004, 2010-006, and 2010-008, Mr. Dudley does not allege adequate documentation existed to support the above-referenced expenditures. Rather Mr. Dudley contests that he should be held responsible for the lack of documentation. Mr. Dudley resigned as the designated fiscal officer of Lion of Judah Academy in June of 2012. At the time of his resignation he was required to turn over all school-related documents to School officials, including those that would provide support for the expenditures questioned in these findings. Accordingly Mr. Dudley had no control over how the supporting documentation was retained going forward, nor did he have the ability to ensure that the requisite information was provided to the Auditors. In addition, at all times during which Mr. Dudley served as the School's fiscal officer, others, including the recently indicted Bishop Coles and Ms. Henderson, had access to the school's financial accounts and made payments from those accounts without Mr. Dudley's knowledge. Under Ohio's Public Records Act, the public office is responsible for retaining its records in accordance with its records retention policy. Accordingly, Lion of Judah Academy and its Governing Board were responsible for providing supporting documentation for these expenditures to the Auditors, not Mr. Dudley. To compound this issue, the Notice of Proposed Findings is dated October 7, 2013, which means the Auditors are still working on the final audit report for the period ending June 30, 2010; more than three years after the end of the relevant fiscal year. However, the School is now defunct, the Governing Board has disbanded, and Mr. Dudley is being held solely liable for the related findings, purely by technical operation of law. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

FINDING NUMBER 2010-007

Finding for Recovery – Material Noncompliance and Material Weakness – Blue Technologies BizHub Copy Machine Expenditure

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.

On August 3, 2009 the Academy entered an agreement with Blue Technologies to purchase two BizHub C353 copy machines for \$23,000. The Academy's capital asset inventory report performed on October 12 and October 13, 2010 evidenced only one BizHub C353 copy machine and our capital asset physical observation test supported this finding. The Academy made payments of \$10,189 per copier totaling \$20,379. Romey Coles, Executive Director, signed and authorized the contract with Blue Technologies for the purchase of the Bizhub copy machines.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Romey Coles, Executive Director, in the amount of \$10,189 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, 2010
(Continued)**

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

FINDING NUMBER 2010-008

Finding for Recovery – Material Noncompliance and Material Weakness – Unsupported Debt/Online 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 \$9,944 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.

On July 1, 2009, a check card transaction in the amount of \$108 was issued by the Academy payable to Ace Recovery. Edward Dudley Jr. was the Treasurer of the Academy. The transaction was unsupported and we could not determine the purpose of the expenditure.

On July 13, 2009 an online bill payment/electronic payment in the amount of \$1,033 was issued by the Academy payable to T-Mobile. Edward Dudley Jr. was the Treasurer of the Academy. We were unable to determine if these cell phones were issued to Academy employees or if usage constituted proper public purpose.

On July 15, 2009, a debit wire transfer was issued by the Academy in the amount of \$6,329. Edward Dudley Jr. was the Treasurer of the Academy. The transaction was unsupported and we could not determine the purpose of the expenditure.

On July 21, 2009, a check card transaction in the amount of \$402 was issued by the Academy payable to Kaiser Pharmacy. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

On September 24, 2009, an online bill payment/electronic payment in the amount of \$512 was issued by the Academy payable to AT&T. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

On October 23, 2009 an online bill payment/electronic payment in the amount of \$382 was issued by the Academy payable to AT&T. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

On October 26, 2009 an online bill payment/electronic payment in the amount of \$613 was issued by the Academy payable to AT&T. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

On January 14, 2010 an online bill payment/electronic payment in the amount of \$50 was issued by the Academy payable to Legal Proc Fee. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

(Continued)

**FINDING NUMBER 2010-008
(Continued)**

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

On March 23, 2010 an online bill payment/electronic payment in the amount of \$252 was issued by the Academy payable to DLX for Business. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

On May 26, 2010 an online bill payment/electronic payment in the amount of \$263 was issued by the Academy payable to AT&T. Edward Dudley Jr. was the Treasurer. The transaction was unsupported and we could not determine the purpose of the expenditure.

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 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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edward Dudley Jr., Treasurer, in the amount of \$9,944 in favor of the Ohio Department of Education.

Officials' Response: Mr. Dudley responded through his attorney. Regarding findings 2010-004, 2010-006, and 2010-008, Mr. Dudley does not allege adequate documentation existed to support the above-referenced expenditures. Rather Mr. Dudley contests that he should be held responsible for the lack of documentation. Mr. Dudley resigned as the designated fiscal officer of Lion of Judah Academy in June of 2012. At the time of his resignation he was required to turn over all school-related documents to School officials, including those that would provide support for the expenditures questioned in these findings. Accordingly Mr. Dudley had no control over how the supporting documentation was retained going forward, nor did he have the ability to ensure that the requisite information was provided to the Auditors. In addition, at all times during which Mr. Dudley served as the School's fiscal officer, others, including the recently indicted Bishop Coles and Ms. Henderson, had access to the school's financial accounts and made payments from those accounts without Mr. Dudley's knowledge. Under Ohio's Public Records Act, the public office is responsible for retaining its records in accordance with its records retention policy. Accordingly, Lion of Judah Academy and its Governing Board were responsible for providing supporting documentation for these expenditures to the Auditors, not Mr. Dudley. To compound this issue, the Notice of Proposed Findings is dated October 7, 2013, which means the Auditors are still working on the final audit report for the period ending June 30, 2010; more than three years after the end of the relevant fiscal year. However, the School is now defunct, the Governing Board has disbanded, and Mr. Dudley is being held solely liable for the related findings, purely by technical operation of law. Mr. Dudley requests relief be sought first from those primarily responsible, not from those who are statutorily liable.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-009

Material Noncompliance and Material Weakness – Condition of Accounting Records

Ohio Admin. 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 Admin. Code.

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records consisted of the following:

- Confirmed cash amounts did not agree to the Academy's General Ledger or Financial Statements;
- Bank reconciliations did not agree to the Academy's General Ledger or Financial Statements;
- Confirmed intergovernmental revenue amounts did not agree to the Academy's General Ledger or Financial Statements;
- The Academy co-mingled federal and non-federal funds in the same general ledger accounts;
- Adjusting entries to the trial balances were not supported;
- Payroll disbursements were recorded in the general ledger at the net amount;
- The Academy did not maintain complete employee personnel files. There were several important documents missing from personnel files such as: hiring authorization, retirement participation form, Federal Tax withholding form, and Local Income Tax withholding form;
- Payroll records did not provide evidence of Board approval of the salary and wages amount paid to four out of 21 employee files tested. One employee contract was not signed by the Academy and only evidenced the employee's signature;
- The Academy did not accrue payroll although the payroll ledgers indicate that it should have been accrued. The payroll ledgers indicated that the last payroll issued was for the pay period ending June 20, 2010. Ten days of the pay period ending July 5, 2010 should have been accrued;
- One instance was noted where an Academy employee was working with an expired permit;
- The Academy issued manual checks for the May 20, 2010 payroll with discrepancies between check numbers in the payroll ledger and the check numbers in the general ledger;
- Four instances in which employees were paid over a twelve month period instead of the contract period of 10.5 months;
- The Academy did not provide all voided checks;
- Academy ledgers contained multiple general journal entries for expenditures without descriptions entered and had instances where the check information did not agree to the Academy's General Ledger;
- Instances where the Academy made online payments totaling \$702 and did not record them in their general ledger;

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-009

(Continued)

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

- Checks issued for contracted or utility services did not always have detailed support;
- Academy financial records did not account for prior year balance sheet items and therefore the records at the beginning of the year did not match the prior year amounts;
- Instances in which the Academy paid \$870 in non-sufficient funds and overdraft charges. Additionally, instances were noted in which the Academy paid \$40 in wire transfer fees for vehicle lease payments and \$460 in overnight delivery fees to delivery Academy checks to vendors;
- The Academy's had six different individuals listed as authorized signatories on the Academy's three bank accounts;
- The Academy did not provide evidence of liability insurance for the period of April 14, 2010 to November 12, 2010;
- The Academy did not follow the asset thresholds, useful lives and evidence tagging of equipment purchased listed in their capital asset policy;
- The Academy did not maintain capital asset records during the year and an independent appraisal company was contracted to perform an inventory of capital assets;
- One instance was noted in which the Academy omitted a 2008 Chevrolet Suburban from their Capital Assets listing;
- The Academy did not provide support to determine the calculation of depreciation and a different method was used which did not accurately reflect depreciation based on acquisition dates.
- The Academy did not account for a tax liability in the amount of \$129,822 on 2010 financial statements.

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 has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions. The condition of accounting records led to inaccurate and incomplete financial statements and also prohibited us from obtaining sufficient evidential matter in our procedures to express any opinion on the financial statements.

Officials' Response – No response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

(Continued)

FINDING NUMBER 2010-010

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 year 2010 financial statements caused us to disclaim our opinion.

Officials' Response – No response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-011

Noncompliance - Annual Financial Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. 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 provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to 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;
- Cash flow statement as prescribed by GAAP; and
- Notes to the financial statements as prescribed by GAAP.

The Academy did not file its annual financial report for fiscal year 2010 which was due no later than November 30, 2010. This could result in the maximum fine of \$750 being billed to the Academy for noncompliance with the requirement.

In addition, Ohio Rev. Code 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 of 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 received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-012

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 calculation 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.

Although we had evidence of the development of a five year forecast, it did not contain the necessary documents or assumptions to support its projection for fiscal year 2010.

Without evidence of assumptions used in 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 received.

FINDING NUMBER 2010-013

Noncompliance - Vehicle Fringe Benefit

Internal Service Revenue Regulation 26 CFR §1.61-21, "Taxation of Fringe Benefits", requires that certain benefits received by employees, such as the use of vehicles, 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 determining the value of taxable employee fringe benefits.

On May 20, 2008, the Academy's Board leased a 2008 Chevrolet Suburban in the amount of \$892 per month for the Executive Director, Romey Coles. The Academy did not specify whether the vehicle was to be used strictly for Academy use or if the vehicle could be used for personal reasons. The Academy does not currently monitor personal usage of Academy vehicles and therefore has not determined whether such usage constitutes a fringe benefit. The use of an Academy vehicle is not included on the employee's W-2 as a taxable fringe benefit.

By not monitoring the usage of Academy-owned vehicles, the Academy is unable to assure themselves that the Academy vehicles are being used only for Academy business or that the personal use of these vehicles should be included as a taxable fringe benefit for the Executive Director, Mr. Coles.

This matter has been referred to the Internal Revenue Service.

Officials' Response – No response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-014

Noncompliance – Footnote Disclosure of Management Company

Ohio Rev. Code Section 3314.024 states that a management company providing services to a community school and charging more than twenty percent of the school's annual gross revenues shall provide a detailed accounting, including the nature and costs of the services it provides to the community school. This information shall be included in the footnotes of the financial statements of the school and be subject to audit during the school's regular financial audit.

This footnote should list management company expenses during the year by object codes (e.g., salaries, supplies, etc.). Ohio Rev. Code §3314.03(A)(8) discusses the requirements of community schools to have financial audits by the Auditor of State. The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State, and the audits shall be conducted in accordance with section 117.10 of the Rev. Code. This includes classifying costs by function and object codes. Also, this footnote should differentiate between the direct costs and any overhead costs a management company allocates to a community school.

The Academy's management company, Latter Enterprises, charged 25.7% of the Academy's annual gross revenues and did not provide a detailed accounting or footnote disclosure in the financial statements.

Officials' Response – No response received.

FINDING NUMBER 2010-015

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.

The Academy contracted with Edward Dudley 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 received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-016

Noncompliance - Interest in a Public Contract

Ohio Rev. Code Section 102.03(D) prohibits a public official from authorizing or using the authority or influence of office or employment, to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official with respect to that person's duties. 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 associates have an interest.

Additionally, 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.

The following issue was noted during our engagement:

- On May 6, 2008 the Board approved a lease on a Chevrolet Suburban for Romey Coles. During fiscal year 2008, the Academy's Board was comprised of Rosina Coles, Board President and wife of Romey Coles, Anthony Hendking, Vice President and employee of Latter Enterprise, Trilana Bowling, Board Treasurer and an original incorporator of Latter Enterprise, and Jon Henderson, Board Member and husband of Business Manager Sheryse Henderson as well as a member of the church Romey Coles is the leader. The Academy made payments totaling \$10,704 for the suburban during FY 2010.
- On May 3, 2010, Chester Starks, Assistant Executive Director of the Academy, formally represented Latter Enterprise at a Board of Directors meeting as evidenced by the minutes record. Mr. Starks requested a transfer of hiring duties from the responsibility of the Academy to Latter Enterprise, which the Board subsequently approved. Inspection of the Latter Enterprise Invoices issued by Latter after May 3, 2010 did not reveal individual or separate charges by Latter for this service. However, AOS is unable to determine the methodology of billing to recalculate and verify management fees invoiced by Latter Enterprise; therefore we cannot determine or exclude Latter's financial benefit from acquisition of this duty.

As stated above, a public official is prohibited from having an interest in a public contract.

These matters will be forwarded to the Ohio Ethics Commission.

Officials' Response – No response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-017

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 the year. It was noted that the Academy did not provide 1099 forms for the audit period.

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

- 20/20 Consult Services - provided professional tax services totaling \$5,000;
- Affirmations - provided student evaluations totaling \$1,800;
- Anew Educational Services LLC - provided professional development totaling \$6,160;
- Arc Construction & Development LLC - provided renovation services (plumbing, remodeling) totaling \$19,500;
- Cleveland Thermal Steam Distribution LLC - provided professional services totaling \$1,234
- Eastman and Smith LTD - provided legal services totaling \$10,734
- Eagle Eye Services LLC - provided CCIP and monthly EMIS/SOES services totaling \$12,100;
- Eclipse International LLC - provided consulting services for \$5,000
- Exceptional Psychological Services - provided multifactored student evaluations and reports for \$13,300;
- Hilliard Electric LLC - provided professional services totaling \$1,129;
- Maguire and Schneider LLP - provided legal services totaling \$1,785;
- Shemuel Solutions - provided video and student handbook services for \$24,610;
- SVA Communications - provided consulting services totaling \$11,000;
- Wilma Curry - provided EMIS services totaling \$15,750

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 the IRS.

This matter has been referred to the Internal Revenue Service.

Officials' Response – No response received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-018

Noncompliance – Sponsorship Monitoring of Academy

Ohio Rev. Code 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 Rev. 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 Ohio Rev. Code 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 (ODE) 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 received.

FINDING NUMBER 2010-019

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."

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-019 (Continued)

Noncompliance - Anti-Bullying Policy (Continued)

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.

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 received.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:</u>
2009-001	Finding for Recovery – Latter Enterprise, Inc. Expenditures and Interest in a Public Contract	No	Not repaid. Repeated as Finding 2010-001.
2009-002	Finding for Recovery – Eclypse International, LLC dba: Terrence D. Shelton Expenditures	No	Not repaid.
2009-003	Finding for Recovery – Checks Made Payable to Cash & Withdrawals	No	Not repaid.
2009-004	Finding for Recovery – Unsupported Debit/Online Banking Expenditures	No	Not repaid. Repeated as Finding 2010-008.
2009-005	Finding for Recovery – Checks With No Supporting Documentation	No	Not repaid. Repeated as Finding 2010-004 and 2010-006.
2009-006	Finding for Recovery – T-Mobil Surcharges	No	Not repaid.
2009-007	Finding for Recovery – Anew Educational Services Interest in a Public Contract	No	Not repaid. Repeated as Finding 2010-003.
2009-008	Finding for Recovery – Karl King, LLC Expenditures and Interest in a Public Contract	No	Not repaid.
2009-009	Finding for Recovery – Terrence D. Shelton dba Eclypse International, LLC and Interest in a Public Contract	No	Not repaid.
2009-010	Finding for Recovery – Delathian Investments, LLC and Interest in a Public Contract	No	Not repaid.
2009-011	Finding for Recovery – Church of Lion of Judah Expenditures and Interest in a Public Contract	No	Not repaid. Repeated as Finding 2010-002.
2009-012	Developing and Implementing an Effective Monitoring Control System	No	Repeated as Finding 2010-010.
2009-013	Condition of Accounting Records	No	Repeated as Finding 2010-009.
2009-014	Entity-wide Bank Reconciliation	No	Combined with 2009-013 and repeated as 2010-009.

**LION OF JUDAH ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010
(Continued)**

2009-015	Education Information Management System (EMIS)	Yes	No longer valid.
2009-016	Five Year Forecast	No	Repeated as Finding 2010-012.
2009-017	Annual Financial Reporting	No	Repeated as Finding 2010-011.
2009-018	Timely SERS Payments	Yes	No longer valid.
2009-019	Taxable Fringe Benefits (Car and Gas Stipend)	No	Repeated as Finding 2010-013.
2009-020	Issuance of 1099 Forms	No	Repeated as Finding 2010-017.
2009-021	Payment of Federal Taxes Withheld	Yes	No longer valid.
2009-022	Sponsorship Monitoring	No	Repeated as Finding 2010-018.
2009-023	Bonding of Treasurer	No	Repeated as Finding 2010-015.
2009-024	Anti-Bullying Policy	No	Repeated as Finding 2010-019.



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.

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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" and a long, sweeping tail on the "y".

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**