LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
TABLE OF CONTENTS

Accountants' Report 1

Management's Discussion and Analysis for the Year Ended June 30, 2011 3

Statement of Net Assets – June 30, 2011 8

Statement of Revenues, Expenses and Changes in Net Assets
for the Fiscal Year Ended June 30, 2011 9

Statement of Cash Flows for the Fiscal Year Ended June 30, 2011 10

Notes to the Financial Statements 12

Federal Awards Receipts and Expenditures Schedule 25

Notes to the Federal Awards Receipts and Expenditures Schedule 26

Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards* 27

Accountants' Report on Compliance With Requirements
Applicable to Each Major Federal Program and On Internal Control
Over Compliance Required by OMB Circular A-133 29

Schedule of Findings 31

Schedule of Prior Audit Findings 61

Corrective Action Plan 63

Accountants' Report on Applying Agreed-Upon Procedure 65

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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, Ohio (the Academy), as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

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.

The Academy did not present, so the Auditor of State prepared the Federal Awards Receipts and Expenditures Schedule supplementary information referred to in the last paragraph. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Academy.

In addition, the Academy did not provide sufficient documentation to support changes to beginning net assets or to amounts recorded in the Statement of Cash Flows.

Since the Academy did not provide sufficient evidential matter as described in paragraphs two through four above, the scope of our procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements referred to above for the year ended June 30, 2011.

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As discussed in Note 11 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 April 30, 2014, 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.

Accounting principles generally accepted in the United Stated of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of basic financial statements. The Schedule is management's responsibility. The Auditor of State compiled the Schedule and this service impairs the independence of the Auditor of State. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedule of federal awards receipts and expenditures referred to above is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

April 30, 2014

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, 2011. 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 2010-11 school year are as follows:

- Total assets increased by $33,896, or 44% from 2010.
- Total liabilities increased by $13,026, or 37% from 2010.
- Total net assets increased by $20,870, or 50% from 2010.
- Total operating and non-operating revenues were $1,371,845. Total operating expenses were $1,444,576.

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 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The Academy uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2011. 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 2011 and 2010.

Table 1
Statement of Net Assets

	2011	2010
Assets		
Current Assets	$ 40,611	$ 38,164
Capital Assets, Net of Accumulated Depreciation	69,890	38,411
Total Assets	110,501	76,605
Liabilities		
Current Liabilities	48,065	35,039
Total Liabilities	48,065	35,039
Net Assets		
Investment in Capital Assets	69,890	38,441
Unrestricted	(7,454)	3,125
Total Net Assets	$ 62,436	$ 41,566

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2011 and 2010, 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

	2011	2010
Operating Revenue		
State Aid	$ 904,434	$ 977,473
Other	-	8,985
Total Operating Revenues	904,434	1,028,243
Operating Expenses		
Salaries	437,309	505,339
Fringe Benefits	169,112	170,475
Purchased Services	735,863	646,175
Materials and Supplies	77,149	191,623
Depreciation	24,010	24,010
Other	1,133	-
Total Operating Expenses	1,444,576	1,537,622
Operating (Loss)	(540,142)	(509,379)
Non-Operating Revenues and (Expenses)		
Federal & State Grants	467,411	420,122
Fiscal Charges & Fees	-	(5,163)
and (Expenses)	467,411	414,959
Increase (Decrease) in Net Assets	$ (72,731)	$ (94,420)

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.

At fiscal year end, the School's net capital asset balance was $69,890. For more information on capital assets, see Note 4 of the Basic Financial Statements.

DEBT OBLIGATIONS

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

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue.

With the conclusion of FY11, the School will no longer continue to receive monies related to the Federal Stimulus package. This includes monies received through the State Fiscal Stabilization Fund (SFSF) and American Recovery and Reinvestment Act (ARRA) funds. Additionally, all community schools in the State saw a slight reduction in the amount of per pupil revenue (State Aid) for FY12. The School will need to evaluate the extent of the impact this will have on current year operations.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

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LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

Statement of Net Assets
At June 30, 2011

Assets	**2011**
Current Assets:	
Cash and Cash Equivalents	$25,935
Accounts Receivable	14,677
Total Current Assets	40,611
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets, net	69,890
Total Noncurrent Assets	69,890
Total Assets	$ 110,501
Liabilities	
Current Liabilities:	
Accounts Payable	48,065
Total Liabilities	$48,065
Net Assets	
Investment in Capital Assets	69,890
Unrestricted	(7,454)
Total Net Assets	$ 62,436

See accompanying notes to the basic financial statements

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Year Ending June 30, 2011

Operating Revenues	
State Aid	$ 904,434
Operating Expenses	
Salaries	437,309
Fringe Benefits	169,112
Purchased Services	735,863
Materials and Supplies	77,149
Depreciation	24,010
Other	1,133
Total Operating Expenses	1,444,576
Operating Loss	(540,142)
Non-Operating Revenues	
Federal & State Grants	467,411
Total Non-Operating Revenues	467,411
Change in Net Assets	(72,731)
Net Assets, Beginning of Year	135,167
Net Assets, End of Year	$ 62,436

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, 2011

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$904,434
Cash Payments to Suppliers for Goods and Services	(772,786)
Cash Payments to Employees for Services	(437,309)
Cash Payments for Employee Benefits	(169,112)
Net Cash Used for Operating Activities	(474,773)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal Grants	467,411
Net Cash Provided by Noncapital Financing Activities	467,411
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Assets	(3,681)
Net Cash (Used in) Capital Financing Activities	(3,681)
Net Decrease in Cash and Cash Equivalents	(11,043)
Cash and Cash Equivalents, Beginning of Year	36,978
Cash and Cash Equivalents, End of Year	$ 25,935

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011
(Continued)

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

Operating (Loss)	$ (540,142)
Depreciation	24,010
Changes in Assets and Liabilities:	
Accounts Payable	41,359
Net Cash (Used for) Operating Activities	(474,773)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

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

The School was approved for operation under a contract with Ashe Cultural Center (the Sponsor) for a one year period commencing on July 1, 2010. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Subsequent to year end, the Sponsor authority to operate was terminated by the State Board of Education. The School is now sponsored directly by the Ohio Department of Education.

The School 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 School'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 10)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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

B. Measurement Focus and Basis of Accounting

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

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

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

Asset	Useful Life
Equipment	5 years

The School has an asset capitalization threshold policy of $500. (See Note 4) 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.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program; Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

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

Under the above programs the School received $904,434 this fiscal year from the Foundation Program and $467,411 from Federal and State grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Vacation is taken in a manner in which corresponds with the school calendar; therefore School 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 consisted of accounts payable, accrued wages and benefits, accrued expenses totaled $48,065 at June 30, 2011.

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 School 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 School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School 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 School 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 School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the School. Revenue and expenses not meeting this definition are reported as non-operating.

3. CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2011, the book amount of the School's deposits was $25,935 and the bank balance was $26,474.

The School 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 School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee 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, 2011, none of the bank balance was exposed to custodial credit risk.

4. CAPITAL ASSETS AND DEPRECIATION

For the period ending June 30, 2011, the School's capital assets consisted of the following:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Capital Assets:				
Equipment	255,044	3,681	-	258,725
Total Capital Assets	255,044	3,681	-	258,725
Less Accumulated Depreciation:				
Equipment	(216,603)	(24,010)	51,778	(188,835)
Total Accumulated Depreciation	(216,603)	(24,010)	51,778	(188,835)
Capital Assets, Net	$ 38,441	$ (20,329)	$ 51,778	$ 69,890

5. 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 School 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 School provides medical, vision, and dental insurance benefits through Kaiser Permanente to all full-time employees. During the School year, the School paid 50% of the monthly premiums for all employees.

6. DEFINED BENEFIT PENSIONS PLANS

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

Plan Description – The School 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.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. School 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 School 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, 2011, 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 School contribution to SERS for the year ended June 30, 2011 were $16,430, which equaled the required contribution for the years.

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. STRS Ohio issues a stand-alone financial report. Copies of the STRS Ohio's 2011 *Comprehensive Annual Financial Report* will be available after December 17, 2011.

Additional information or copies of the STRS Ohio's 2011 *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.

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.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 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 3307.80and 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.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

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' fess, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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, 2011, 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. The School contribution to STRS for the year ended June 30, 2011 was $51,509, which equaled the required contribution for the year.

7. POST EMPLOYMENT BENEFITS

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

In addition to a cost-sharing multiple-employer defined pension plan the School 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

7. POST EMPLOYMENT BENEFITS

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

premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 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 2011, the actuarially required allocation is .76%. The School contributions for the years ended June 30, 2011, was $891, which equaled the required contribution for the 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, 2011, 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.

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 2011, 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 School's contributions assigned to health care for the years ended June 30, 2011 was $2,779. 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.**

7. POST EMPLOYMENT BENEFITS

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

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 year ended June 30, 2011. The 14% employer contribution rate is the maximum rate established under Ohio law.

8. CONTINGENCIES

A. Grants
The School 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 School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation
There are currently no matters in litigation with the School 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 School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

9. SPONSOR CONTRACT

The School contracted with Ashe Cultural Center as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2011, the total sponsorship fees paid totaled $26,446.

10. AGREEMENT WITH 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 $91,660 in lease payments for the fiscal year ended June 30, 2011.

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, 2011, the Academy remitting the following by category to the management company for services:

Payment by Category	Amount
Rent	91,660
Management Fees	179,594
Food Service	65,145
Professional Development	114,034
Transportation	67,600
	$ 518,033

10. AGREEMENT WITH MANAGEMENT COMPANY (Continued)

The above payments are reflected in the accompanying statement of revenues, expenses and changes in fund net assets as part of “Purchased 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.

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, 2011, Latter has not invoiced the Academy for these services rendered during the 2010-2011 School year.

11. SCHOOL CLOSURE

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

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / *Pass Through Grantor* / Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
National School Breakfast Program	2011	10.553	$26,081	$0	$26,081	$0
Subtotal National School Breakfast Program			26,081	0	26,081	0
National School Lunch Program	2011	10.555	42,803	0	42,803	0
Subtotal National School Lunch Program			42,803	0	42,803	0
Total Child Nutrition Cluster			68,884	0	68,884	0
ARRA - National School Lunch Equipment	2011	10.579	7,000	0	7,000	0
			7,000	0	7,000	0
Total U.S. Department of Agriculture						
U.S. Department of Education						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	20,534	0	24,469	0
ARRA - Special Education - Grants to States	2011	84.391	6,822		10,305	
Subtotal Special Education - Grants to States			27,356	0	34,774	0
Total Special Education Cluster			27,356	0	34,774	0
Title I Grants	2011	84.010	106,350	0	152,608	0
ARRA - Title I Grants	2011	84.389	45,964		28,000	
Total Title I Grants to Local Education Agencies, Part A			152,314	0	180,608	0
Title IID - Education Technology State Grants	2011	84.318	399	0	0	0
Total Title IID - Education Technology State Grants			399	0	0	0
Title IIA - Improving Teacher Quality State Grants	2011	84.367	1,687		500	
Total Title IIA - Improving Teacher Quality State Grants			1,687	0	500	0
Education Jobs	2011	84.410	37,768	0	56,298	0
Total Education Jobs			37,768	0	56,298	0
ARRA - Race to the Top	2011	84.395	28,000		29,763	
Total ARRA - Race to the Top			28,000	0	29,763	0
School Improvement	2011	84.377	60,000		60,000	
Total School Improvement			60,000	0	60,000	0
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394	77,122	0	77,122	0
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			77,122	0	77,122	0
Total U.S. Department of Education			384,646	0	439,065	0
Total Federal Financial Assistance			$460,530	$0	$514,949	$0

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Lion of Judah Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

NOTE C – PREPARATION OF SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES AND RELATED NOTES

The Academy did not present, so the Auditor of State prepared the Federal Awards Receipts and Expenditures Schedule supplementary information and the related notes. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Academy.

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 Lion of Judah Academy, Cuyahoga County, Ohio, (the Academy), as of and for the year ended June 30, 2011, in which we disclaimed an opinion upon the financial statements. We prepared the Federal Awards Receipts and Expenditures Schedule from the Academy's accounting records and this service impairs the independence of the Auditor of State to audit the Academy. Additionally, Management did not provide written representations and did not provide sufficient documentation to support changes to beginning net assets or to amounts recorded in the Statement of Cash Flows. We also noted the Academy ceased operations on May 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our 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 and questioned costs 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 2011-007 and 2011-008 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of our procedures, we tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2011-001 through 2010-017.

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

Dave Yost
Auditor of State

April 30, 2014

ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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:

Compliance

We were engaged to audit the compliance of Lion of Judah Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance.

Except as discussed in the following paragraph, we conducted our engagement in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' Government Auditing Standards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that we plan and perform an audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. Our engagement does not provide a legal determination on the Academy's compliance with these requirements.

We were unable to obtain written representations or detailed supporting documents from the Academy's management supporting the Academy's compliance with the requirements described in paragraph one.

Because of the matter described in the preceding paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Academy's compliance with the compliance requirements applicable to the Special Education Cluster, Title I Cluster, and State Fiscal Stabilization Funds.

Also, the results of our procedures disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as findings 2011-019 through 2011-021, 2011-023 through 2011-025, and 2011-027 through 2011-034.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our engagement, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-018 through 2011-034 to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsors, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost
Auditor of State

April 30, 2014

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Disclaimer
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Disclaimer
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster – Special Education Grants to States and ARRA Special Education Grants to States CFDA #84.027 and #84.391, Title I Basic Grants to States and ARRA Title I CFDA #84.010 and #84.389, ARRA State Fiscal Stabilization Fund CFDA #84.394
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2011-001

Finding for Recovery and Noncompliance,– 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 $469,621 during 2011. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

FINDING NUMBER 2011-001 (Continued)

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

Included within the $469,621 total, the Academy paid Latter Enterprise $9,222 during fiscal year 2011 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 $469,621, 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 Sr., Treasurer, is liable in the amount of $469,621 and in favor of the Ohio Department of Education.

This matter has been referred to the Ohio Ethics Commission.

FINDING NUMBER 2011-002

Finding for Recovery and Noncompliance– PNC Unsupported Payment

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 2, 2010 the Academy issued Check 6613 in the amount of $500 payable to PNC Bank. The payment was authorized by Edward Dudley, 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 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.

FINDING NUMBER 2011-002 (Continued)

Finding for Recovery and Noncompliance– PNC Unsupported Payment (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.

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, Treasurer, in the amount of $500 in favor of the Ohio Department of Education.

FINDING NUMBER 2011-003

Finding for Recovery and Noncompliance– Strategy One Payment

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 April 29, 2011 the Academy issued check number 1006 in the amount of $250 payable to Strategy One. This payment was authorized by Romey Coles, Executive Director, and we were unable to determine the purpose of the expenditure. Edward Dudley was the Treasurer during the audit period.

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.

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 and Edward Dudley, Treasurer, jointly and severally liable in the amount of $250 in favor of the Ohio Department of Education.

FINDING NUMBER 2011-004

Finding for Recovery and Noncompliance– 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 $14,712 for fiscal year 2011.

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 Romey Coles, Executive Director in the amount of $14,712 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 Sr., Treasurer, is liable in the amount of $14,712 in favor of the Ohio Department of Education.

FINDING NUMBER 2011-005

Finding for Recovery and Noncompliance– 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.

FINDING NUMBER 2011-005 (Continued)

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

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 $5,000 during 2011. 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 Revised 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 $5,000, 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.

FINDING NUMBER 2011-005 (Continued)

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

Accordingly, Edward Dudley Sr., Treasurer, is liable in the amount of $5,000 and in favor of the Ohio Department of Education.

This matter has been referred to the Ohio Ethics Commission.

FINDING NUMBER 2011-006

Finding for Recovery and Noncompliance– Promyse Inc. Expenditures and 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.

Jon Henderson, Board Member of the Academy and Sheryse Henderson, Business Manager of the Academy, owned and operated Promyse Inc. The Academy made payments to Promyse Inc. in the amount of $2,500 during 2011. There is no evidence the Academy met the requirements of Ohio Rev. Code Section 2921.42(C).

FINDING NUMBER 2011-006 (Continued)

Finding for Recovery and Noncompliance– Promyse Inc. Expenditures and Interest in a Public Contract (Continued)

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 Promyse Inc., Jon Henderson, Board Member of the Academy and owner of Promyse Inc., and Sheryse Henderson, Business Manager of the Academy and owner of Promyse Inc., in the amount of $2,500, jointly and severally liable, 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 Sr., Treasurer is liable in the amount of $2,500 and in favor of the Ohio Department of Education.

This matter has been referred to the Ohio Ethics Commission.

FINDING NUMBER 2011-007

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:

- We could not agree beginning cash balances to the prior year;
- Our inspection of the general ledger revealed mathematical inaccuracies. We recalculated one balance $1,900 more than reported; Further, we found several balance variances that were subsequently corrected and therefore accurately reported;

FINDING NUMBER 2011-007 (Continued)

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

- The Payroll account bank reconciliation did not reflect outstanding checks;
- During our review of the bank reconciliations, we noted that the Academy did not prepare a reconciliation for the Petty Cash Account. In addition, the bank reconciliation did not include two immaterial accounts opened during fiscal year 2011;
- The Academy co-mingled federal monies from different programs across several general ledger accounts as well as federal and non-federal monies;
- One check appeared payable to a particular vendor in the General Ledger when the check image revealed a different payee;
- One Formula Kindergarten payment of $5,986.14 could not be traced into the ledger;
- Three employees were underpaid according to their contracts; Two of these employees' gross pay was calculated using 12 months instead of 10 month employment periods as specified in their contract, and the other employee contract specified a 10 month employment period and we were unable to agree the gross pay for unknown reason;
- 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, State Income Tax withholding form, Local Income Tax withholding form, etc.;
- Payroll records did not provide evidence of Board approval or have on file employment contracts for two out of the five employee files tested;
- The Academy did not accrue payroll although the payroll ledgers indicate that it should have been accrued. The Paycor payroll ledgers indicate that the last payroll issued was for the pay period ending June 20, 2011. Ten days of the pay period ending July 5, 2011 should have been accrued for 24-pay period employees paid with federal and nonfederal funds;
- The Academy recorded employee salaries net of withholdings in the general ledger;
- 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
- During our review of nonpayroll expenditures, we noted several checks supported by invoices that appear to have been created by someone at the Academy and not the original vendors. These invoices were identical to each other in format and were submitted in place of itemized receipts. No documents were attached, i.e., receipts, supporting the amounts listed on the invoices;
- Numerous nonpayroll check expenditures were not supported by vendor invoices but enough audit evidence existed to determine the vendor received the payment and that the expenditure was likely for proper public purpose;
- All online AT&T payments, one Toledo Edison payment, one Kaiser Permanente payment and one Progressive payment for auto insurance were unsupported by the Academy but enough audit evidence existed to determine the vendor received the payment and that the expenditure was likely for proper public purpose;
- Numerous vendor files contained disconnection notices and late fees due to nonpayment by the Academy;
- The November 2010 sponsor payment electronic funds transfer in the amount of $1,863.59 was not reflected in the general ledger;
- The Academy did not account for a tax liability in the amount of $23,073 on their 2011 financial statements.

FINDING NUMBER 2011-007 (Continued)

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

- The Academy paid $197 in bank fee service charges and $31 in wire transfer fees to Western Union for vehicle lease payments;
- The Academy's payment process included Edward Dudley, Treasurer and owner of LED Consulting, issuing checks through Federal Express. This process resulted in the Academy incurring $736 in overnight charges. Further, of this amount, on April 1, 2011, LED Consulting was paid by the Academy $244 for FEDEX items mailed to Romey Cole's home address and not the Academy;
- The Academy did not provide evidence of liability insurance for the period of April 14, 2010 to November 12, 2010;
- The Academy has a capital assets policy in place but does not follow it. Further, this policy is not board approved;
- There was a change in accounting estimate between fiscal years 2010 and 2011 that was not disclosed in the notes to the financial statements;
- Capital Assets are calculated for 2011 using replacement cost while depreciation is calculated using acquisition cost;
- There are a large number of fully depreciated assets on the capital asset listing; and
- The Academy entered a capital lease in May 2008 and did not add this vehicle to its capital assets listing.

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.

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.

FINDING NUMBER 2011-008

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 nonpayroll 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 financial statements and bank reconciliations that could go undetected.

FINDING NUMBER 2011-009

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 Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised 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 2011.

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.

FINDING NUMBER 2011-010

Noncompliance – Management Fees in Excess of Contract

A School Management Agreement was executed on July 1, 2009 between the Academy and Latter Enterprise for management services. According to the contract, the fee imposed by Latter Enterprise is 5-18% of the Academy's gross receipts. In fiscal year 2011, Latter collected 34.2% of the Academy's total revenues. This is a violation of contract.

In addition, Latter Enterprises separately invoices the Academy for food service expenses in addition to management services. However, the contract between Latter and the Academy indicates that food service is included as part of the management services fee and should not be additionally invoiced.

The failure to properly pay management fees according to the contract could lead to improper payments for unnecessary services or previously billed services. This also could lead to inaccurate financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

FINDING NUMBER 2011-011

Noncompliance – Footnote Disclosure of Management Company Expense

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 Revised 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 34.2% of the Academy's annual gross revenues and did not provide a detailed accounting or footnote disclosure in the financial statements. Without proper disclosure of management company expenses as required, the Academy is not being transparent to the public and is not comply with the Ohio Revised Code.

FINDING NUMBER 2011-012

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:

- Anew Educational Services LLC - provided professional development totaling $14,292;
- Arc Construction & Development LLC - provided renovation services (plumbing, remodeling) totaling $2,900;
- Steve Peasley - provided air conditioning services totaling $750;
- SVA Communications provided consulting services totaling $19,580;
- Wilma Curry received $17,500 for EMIS services;

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 IRS.

FINDING NUMBER 2011-013

Noncompliance – Sponsorship Monitoring of Academy

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

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

During the audit, we noticed that the Ohio Department of Education indicated that the Academy was in academic watch for the 2010-2011 school year. There was no evidence of an annual report submitted to ODE by the sponsor (Ashe) or corrective action plan to address the academic condition.

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

FINDING NUMBER 2011-014

Noncompliance – Interest in a Public Contract

Ohio Revised 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 Revised 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 issues were 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. This vehicle was forfeited by the Academy to Romey Coles in fiscal year 2012;

FINDING NUMBER 2011-014 (Continued)

Noncompliance – Interest in a Public Contract (Continued)

In the Board minutes dated September 1, 2010, the following conditions were noted:

- Board member Jon Henderson voted and approved the contract for his company, Promyse Incorporated, which received $2,500 during the fiscal year. He was present for the meeting and no evidence was found showing he abstained from the vote;
- Board member David Owens voted on and approved a Latter Enterprise contract, which received $429,621 during the fiscal year. He was present at the meeting and no evidence could be found showing that he abstained from voting. Romey Coles, Executive Director of the Academy and owner of Latter Enterprise, created the Church of Lion of Judah. David Owens is employed as the Church's overseer;
- Board President Anthony Hendking and Board member Carlena Williams-Hendking voted on and approved a contract for Karl King, Incorporated, a company they own. This vendor does not appear in the fiscal year 2011 general ledger, and we did not note any payments. However, this is a related party, and the two Board members should have abstained from voting.

As stated above, a public official is prohibited from having an interest in a public contract. The failure to properly disclose a related party transaction leaves the notes to the financial statements incomplete and if unlawful subjects the Academy to improper payments.

These matters will be forwarded to the Ohio Ethics Commission and the IRS.

FINDING NUMBER 2011-015

Noncompliance – Collection of Income Tax at Source of Wages

Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] - Collection of Income Tax at Source on Wages; 26 U.S.C. §3401 through §3406 require the employing government to withhold federal, state, and local income and employment-related taxes (such as Medicare). They also require the government to report those tax matters to the appropriate tax authorities and to the recipients.

The Academy did not withhold Federal Income Tax from the paychecks of Chester Starks, Assistant Executive Director, for the pay periods ending September 5, 2010 to June 30, 2011.

By not withholding federal income taxes for all employees and properly recording the amounts, the required reportable tax information could be misstated.

This matter has been referred to the IRS.

FINDING NUMBER 2011-016

Noncompliance – Fringe Benefits – Leased Vehicle

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 did not monitor personal usage of Academy vehicles and therefore had 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 IRS.

FINDING NUMBER 2011-017

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, Treasurer, and was unable to provide evidence of a bond. By not having a bonded Treasurer, the Academy could lose out on restitution if monies are mishandled.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Material Weakness – System of Internal Controls for Special Education and ARRA Special Education

Finding Number	2011-018
CFDA Title and Number	Special Education and ARRA Special Education CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Management and the Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the School should detect errors and irregularities in a timely manner, and ensure all financial transactions were properly authorized, reported and supported with documentation.

During our testing of Special Education Cluster Federal expenditures, we noted the following internal control weaknesses:

- The Academy does not have a policy in place for the procurement of goods and services for Special Education or Special Education ARRA funds;
- The Academy did not provide control procedures for purchasing using Special Education or Special Education ARRA funds;
- We were unable to determine whether someone independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of Special Education or Special Education ARRA fund expenditure;
- The Academy has no policies or procedures with the Ohio Department of Education to minimize the time between the transfer of Special Education funds and disbursement of funding;
- The Academy did not provide Equipment and Property Management policies and procedures for the Special Education programs;
- We were unable to ascertain control procedures over Level of Effort, Maintenance of Effort and Earmarking requirements of Special Education funds;
- The Academy did not provide control procedures established to ensure Special Education funds were expended in their period of availability;
- No control procedures provided addressing the compliance requirement of Procurement and Suspension and Debarment for Special Education funds;
- The Academy did not provide control procedures over the Special Education reporting compliance requirements;
- The Academy reported one 1512 Full-Time Equivalency (FTE) to ODE during 2011 for the Special Education ARRA when only nonpayroll items were charged to the grant;
- The Academy's general ledger did not account for the ARRA and Non-ARRA expenditures separately;
- During the testing of the Individualized Education Program, the required annual review was not performed for one student out of five tested.

Material Weakness – System of Internal Controls for Special Education and ARRA Special Education (Continued)

The above weaknesses and lack of record keeping greatly increases the possibility for unauthorized expenditures and abuse related to all transactions made with Special Cluster grant monies and led to questioned costs. These weaknesses significantly reduce management's ability to effectively monitor these transactions and make appropriate operating decisions.

Questioned Costs, Noncompliance, and Material Weakness – Activities Allowed and Unallowed – Special Education

Finding Number	2011-019
CFDA Title and Number	Special Education and ARRA Special Education CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 Appendix A, Section A(2)(a)(2) states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award.

2 C.F.R Part 225 Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal Awards.

OMB Circular No. A-133, Section .105 defines questioned costs, in part, as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation.

During the testing of Special Education expenditures, we noted the following issues:

- No supporting documentation was provided for nonpayroll expenditures totaling $8,502; and
- No support was provided for insurance benefits charged to Special Education in the amount of $2,232.

Therefore, per the guidelines above, these expenditures noted above were considered unallowable.

Failure to identify federal funds, provide adequate documentation, establish controls, and comply with grant requirements resulted in questioned costs totaling $10,734 of federal financial assistance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

Noncompliance and Material Weakness – Maintenance and Level of Effort – Special Education

Finding Number	2011-020
CFDA Title and Number	Special Education and ARRA Special Education CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

20 USC Section 7901 states that in order to meet Maintenance of Effort (MOE), combined fiscal effort (per student or the aggregate expenditures of the LEA and the State) cannot be less than 90% of the combined fiscal effort for the second preceding year.

20 USC Section 6321(b) states an LEA shall use Federal funds received under this part only to supplement the funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources.

During our testing of the requirements for Maintenance and Level of Effort, we noted the School has no supporting documentation, as required by the above compliance sections. We were unable to determine if these requirements were met.

Lack of supporting documentation for Level of Effort may result in reduced Special Education funding for the School.

The School should maintain adequate supporting documentation for maintenance and level of effort to ensure compliance with the above requirements.

Noncompliance and Material Weakness – Procurement and Suspension and Debarment – Special Education

Finding Number	2011-021
CFDA Title and Number	Special Education and ARRA Special Education CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR part 180 states Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

2 CFR section 180.300 states when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

We noted the Academy does not maintain accounting records or supporting documentation that identifies any of its Special Education Cluster expenditures. Therefore, we were unable to determine if the Academy complied with the above Federal compliance requirements regarding procurement or contracts equal to or exceeding $25,000 and we noted no evidence of the EPLS being checked for any transactions.

Failure to properly check the EPLS may result in the Academy not meeting the necessary reporting requirements.

Material Weakness – System of Internal Controls for Title I and ARRA Title I

Finding Number	2011-022
CFDA Title and Number	Title I and ARRA Title I CFDA # 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Management and Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the Academy would detect errors and irregularities in a timely manner. The system of internal controls would ensure all financial transactions were properly authorized, reported and supported with documentation. The review of the Academy's internal controls system and transactions documentation noted material internal control weaknesses.

During our testing of Title I Cluster Federal expenditures, we noted the following internal control weaknesses:

- The Academy does not have a policy in place for the procurement of goods and services for Title I or Title I ARRA fund;
- The Academy did not provide control procedures for purchasing using Title I or Title I ARRA fund;
- We were unable to determine whether someone independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of Title I or Title I ARRA fund expenditure;
- The Academy has no policies or procedures with the Ohio Department of Education to minimize the time between the transfer of Title I funds and disbursement of funding;
- The minutes did not evidence Board approval of individual employees and salary amounts for Title I expenditures;
- The Academy did not provide procedures on determining eligibility for the Title I programs;
- The Academy did not provide Equipment and Property Management policies and procedures for the Title I programs;
- We were unable to ascertain control procedures over Level of Effort, Maintenance of Effort and Earmarking requirements of Title I funds;
- The Academy did not provide control procedures established to ensure Title I funds were expended in their period of availability;
- No control procedures provided addressing the compliance requirement of Procurement and Suspension and Debarment for Title I funds;
- The Academy did not provide control procedures over the Title I reporting compliance requirements;
- The Academy's general ledger did not account for the ARRA and Non-ARRA expenditures separately.

The above weaknesses and lack of record keeping greatly increases the possibility for unauthorized expenditures and abuse related to all transactions made with Title I Cluster grant monies and led to questioned costs. These weaknesses significantly reduce management's ability to effectively monitor these transactions and make appropriate operating decisions.

Questioned Costs, Noncompliance, and Material Weakness – Activities Allowed and Unallowed – Title I and ARRA Title I

Finding Number	2011-023
CFDA Title and Number	Title I and ARRA Title I CFDA # 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 Appendix A, Section A(2)(a)(2) states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award.

2 C.F.R Part 225 Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal Awards.

OMB Circular No. A-133, Section .105 defines questioned costs, in part, as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation.

During the testing of Title I cluster expenditures, we noted the following issues:

- No supporting documentation was provided for Title I nonpayroll expenditures totaling $22,912;
- No support was provided for a Title I AJE for hospitalization in the amount of $1,370; and
- No support was provided for insurance benefits charged to Title I in the amount of $2,159.

Therefore, per the guidelines above, these expenditures noted above were considered unallowable.

Failure to identify federal funds, provide adequate documentation, establish controls, and comply with grant requirements resulted in questioned costs totaling $26,441 of federal financial assistance and could result in the loss of future federal funding.

Noncompliance and Material Weakness – Maintenance and Level of Effort – Title I and ARRA Title I

Finding Number	2011-024
CFDA Title and Number	Title I and ARRA Title I CFDA # 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

20 ESC Section 7901 states a local educational agency (LEA) may not use Title I, Part A funds for activities that it would have conducted in the absence of these federal funds (Title I, Part A). To meet Maintenance of Effort (MOE), combined fiscal effort (per student or the aggregate expenditures of the LEA and the State) cannot be less than 90% of the combined fiscal effort for the second preceding year.

20 USC Section 6321(b) states an LEA shall use Federal funds received under this part only to supplement the funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources.

During our testing of the requirements for Maintenance and Level of Effort, we were unable to determine if the Academy complied with the requirements due to the lack of support documentation.

Failure to comply with the above requirements could result in a loss of future federal funding.

Noncompliance, and Material Weakness – Procurement and Suspension and Debarment – Title I and ARRA Title I

Finding Number	2011-025
CFDA Title and Number	Title I and ARRA Title I CFDA # 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR part 180 states Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

2 CFR section 180.300 states when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Noncompliance, and Material Weakness – Procurement and Suspension and Debarment – Title I and ARRA Title I (Continued)

We noted the Academy provided no evidence that the Academy performed an ELPS vendor search, collected a certification from the entity, or added a clause or condition to the covered transaction with the entity for Title I expenditures. Therefore, we were unable to determine if the Academy complied with the above Federal compliance requirements regarding procurement or contracts equal to or exceeding $25,000.

Failure to properly check the EPLS resulted in the Academy not meeting the necessary reporting requirements.

Material Weakness – System of Internal Controls for State Fiscal Stabilizations Funds

Finding Number	2011-026
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Management and the Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the School should detect errors and irregularities in a timely manner, and ensure all financial transactions were properly authorized, reported and supported with documentation.

During our testing of State Fiscal Stabilization Fund (SFSF) Federal expenditures, we noted the following internal control weaknesses:

- The Academy has no control procedures in place regarding disbursements of SFSF funds and accounting records did not show any detail or support for any purchases made with SFSF funds;
- No evidence existed of someone within the Academy independent of the Treasurer reviewing allowable or any activity of SFSF fund expenditures;
- The Academy has no policies or procedures with the Ohio Department of Education to minimize the time between the transfer of SFSF funds and disbursement of funding;
- The Academy has no policies regarding the purchase of inventory of Equipment of Property with SFSF funds;
- No control procedures were evident regarding Level of Effort, Maintenance of Effort or Earmarking of SFSF funds;
- No records were maintained to ensure the Academy disbursed its SFSF funds within the period of availability;
- The Academy has no procedures addressing Procurement or Suspension and Debarment requirements; and
- The Academy has no policies or system of controls for ARRA Section 1512 reporting requirements.

The above weaknesses and lack of record keeping greatly increases the possibility for unauthorized expenditures and abuse related to all transactions made with SFSF funds. These weaknesses significantly reduce management's ability to effectively monitor these transactions and make appropriate operating decisions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

Questioned Costs, Noncompliance, and Material Weakness – Activities Allowed and Unallowed – State Fiscal Stabilization Funds

Finding Number	2011-027
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 Appendix A, Section A(2)(a)(2) states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award

2 C.F.R Part 225 Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

OMB Circular No. A-133, Section .105 defines questioned costs, in part, as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation.

During fiscal year 2011, the Academy received $77,122 in state fiscal stabilization funds (SFSF). The Academy did not maintain accounting records that identified any of its SFSF expenditures and was unable to provide any supporting documentation to determine if the expenditures were reasonable for proper and efficient performance and administration of the Federal Award. Therefore, per the guidelines above, the entire receipted SFSF were considered unallowable.

Failure to identify federal funds, provide adequate documentation, establish controls, and comply with grant requirements resulted in questioned costs and potential loss of federal financial assistance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

Noncompliance and Material Weakness – Cash Management – State Fiscal Stabilization Funds

Finding Number	2011-028
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. – 34 CFR 80.20 (b)(7) which states in part: "When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements." State Fiscal Stabilization Fund (SFSF) program funds were advanced to Community Schools through the foundation program. Foundation payments are automatically sent to Community Schools on a monthly basis. Community Schools must have an internal control system in place to ensure advance SFSF payments are spent timely (i.e., within 30 days).

The Academy was unable to provide expenditure detail for the State Fiscal Stabilization Fund award, and we were unable to verify that funds were expended for program purposes in a timely manner. Failure to disburse these funds timely could result in unauthorized usage for expenditures made after the deadline for expending SFSF funds.

Noncompliance and Material Weakness – Equipment and Real Property Management – State Fiscal Stabilization Funds

Finding Number	2011-029
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR section 215.34 states that local governments and subgrantees shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

The Academy did not separately account for ARRA State Fiscal Stabilization Fund expenditures and we were unable to determine if federal funds were used to purchase equipment. Failure to comply with the above requirements could result in a loss of federal funding.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

Noncompliance and Material Weakness – Maintenance and Level of Effort – State Fiscal Stabilization Funds

Finding Number	2011-030
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

20 USC Section 7901 states that in order to meet Maintenance of Effort (MOE), combined fiscal effort (per student or the aggregate expenditures of the LEA and the State) cannot be less than 90% of the combined fiscal effort for the second preceding year.

20 USC Section 6321(b) states an LEA shall use Federal funds received under this part only to supplement the funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources.

During our testing of the requirements for Maintenance and Level of Effort, we noted the Academy had no supporting documentation, as required by the above compliance sections. We were unable to determine if these requirements were met.

Lack of supporting documentation for Level of Effort may result in reduced federal funding for the Academy.

Noncompliance and Material Weakness – Procurement and Suspension and Debarment – State Fiscal Stabilization Funds

Finding Number	2011-031
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR part 180 states Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Noncompliance and Material Weakness – Procurement and Suspension and Debarment – State Fiscal Stabilization Funds (Continued)

2 CFR section 180.300 states when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

We noted the Academy did not maintain a complete listing of accounting records or supporting documentation that identifies its SFSF expenditures. Therefore, we were unable to determine if the Academy complied with the above Federal compliance requirements regarding procurement or contracts equal to or exceeding $25,000 and we noted no evidence of the EPLS being checked for any transactions.

Failure to properly check the EPLS resulted in the Academy not meeting the necessary reporting requirements.

Noncompliance and Material Weakness – ARRA 1512 Reporting – State Fiscal Stabilization Funds

Finding Number	2011-032
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

ARRA Section 1512 requires prime recipients "to report an estimate of jobs directly created or retained by project and activity or contract. Recipients will be required to report an aggregate number for the cumulative jobs created or retained for the quarter in a separate numeric field." Further, it states "the estimate of the number of jobs required by the Recovery Act should be expressed as "full-time equivalents" (FTE), which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient. The FTE estimates must be reported cumulatively each calendar quarter."

In addition, quarterly, prime recipients are required to submit all vendors which received a single payment greater than $25,000 during the reporting period to ODE on the 1512 ARRA Subrecipient Vendor Report.

As a subrecipient of the Ohio Department of Education (ODE), the Academy is required to submit the above information to ODE for all applicable federal programs. In addition, the Academy should have sufficient internal control procedures in place to reasonably report the ARRA 1512 FTE and Subrecipient Vendor Report to ODE.

We noted the Academy did not maintain a complete listing of supporting documentation of its ARRA expenditures. Therefore, we were unable to determine if the number of employees reported for the ARRA 1512 FTE report was accurate. In addition, we were unable to determine if any transactions should have been reported to the Subrecipient Vendor Report.

Noncompliance and Material Weakness – ARRA 1512 Reporting – State Fiscal Stabilization Funds (Continued)

A lack of control procedures and underlying records to support FTE amounts reported as well as verification for Subrecipient Vendor reporting led to continued misrepresentation and reporting of the usage of ARRA funds.

Noncompliance and Material Weakness – Special Tests and Provisions – State Fiscal Stabilization Funds

Finding Number	2011-033
CFDA Title and Number	ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

The financial management system must permit the preparation of required reports and tracing of funds adequate to establish that funds were used for authorized purposes and allowable costs.

As provided in 2 CFR section 176.210, Federal agencies require recipients to (1) agree to maintain records that identify adequately the source and application of ARRA awards; (2) separately identify and document at the time of the disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC). Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII of the OMB Compliance Supplement.

During our testing of the SFSF Federal program, which included reviewing the posting of ARRA funds, it was noted that ARRA monies were not separately accounted for. Therefore, we were unable to identify which payments were from SFSF (ARRA) funds. We also determined controls did not exist to assure funds were separately accounted.

The failure to maintain adequate accounting records resulted in a loss of accountability over the Academy's finances, resulting in errors that went undetected to the Academy.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

Noncompliance and Material Weakness – Federal Schedule

Finding Number	2011-034
CFDA Title and Number	Special Education and ARRA Special Education CFDA # 84.027 and 84.391, Title I and ARRA Title I CFDA # 84.010 and 84.389, ARRA State Fiscal Stabilization Funds CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

OMB Circular No. A-133, Section .300 states that the auditee shall:

1. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity;
2. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs;
3. Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs;
4. Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, Section .310
5. OMB Circular No. A-133 Section .310(b) states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

The Academy did not provide a Schedule of Federal Awards Expenditures for audit. AOS compiled a schedule based on their accounting records to determine major programs to test, however this is a responsibility of the Academy and it impaired our independence.

Failure to identify federal funds, provide adequate documentation, establish controls, and comply with grant requirements resulted in questioned costs and potential loss of federal financial assistance.

Officials Response and Corrective Action Plan: The Academy is currently closed, the governing board is dissolved and no responses were received by any party to address an officials' response or offer any corrective action plan as OMB Circular A-133 requires.

LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2010-001	Finding for Recovery – Latter Enterprise, Inc. Expenditures and Interest in a Public Contract	No	Not repaid. Repeated as Finding 2011-001.
2010-002	Finding for Recovery – The Church of the Lion of Judah Expenditures and Interest in a Public Contract	No	Not repaid. Repeated as Finding 2011-005
2010-003	Finding for Recovery – Anew Educational Services, LLC Expenditures and Unlawful Interest in a Public Contract	No	Not repaid.
2010-004	Finding for Recovery – Checks with no Supporting Documentation	No	Not repaid. Repeated as Finding 2011-002 and 2011-003.
2010-005	Finding for Recovery – Romey Coles Health Insurance Payments	No	Not repaid. Repeated as Finding 2011-004.
2010-006	Finding for Recovery – Unsupported Gift Card Expenditures	No	Not repaid.
2010-007	Finding for Recovery – Blue Technologies BizHub Copy Machine Expenditures	No	Not repaid.
2010-008	Finding for Recovery – Unsupported Debit/Online Expenditures	No	Not repaid.
2010-009	Condition of Accounting Records	No	Repeated as 2011-007
2010-010	Developing and Implementing an Effective Monitoring Control System	No	Repeated as 2011-008
2010-011	Annual Financial Reporting	Yes	No longer valid.
2010-012	Five Year Forecast	No	Repeated as Finding 2011-009
2010-013	Vehicle Fringe Benefit	No	Repeated as Finding 2011-016
2010-014	Footnote Disclosure of Management Company	No	Repeated as Finding 2011-011
2010-015	Bonding of Treasurer	No	Repeated as Finding 2011-017
2010-016	Interest in a Public Contract	No	Repeated as Finding 2011-014
2010-017	Issuance of 1099 Forms	No	Repeated as Finding 2011-012
2010-018	Sponsorship Monitoring of Academy	No	Repeated as Finding 2011-013
2010-019	Anti-Bullying Policy	Yes	No longer valid

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LION OF JUDAH ACADEMY
CUYAHOGA COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
Fiscal year ended June 30, 2011

The Academy declined to provide a corrective action plan. As described in Note 11, the Academy voluntarily ceased operations on May 3, 2013 based on a vote by their Governing Board and approved by their sponsor.

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Accountants' Report on Applying Agreed-Upon Procedures

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

1. In our report dated December 27, 2013, we noted the School had not adopted an anti-harassment policy.

2. The School amended the policy on May 30, 2012. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
www.ohioauditor.gov

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

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

Dave Yost
Auditor of State

April 30, 2014

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
JUNE 10, 2014

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