



Dave Yost • Auditor of State



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

## INDEPENDENT AUDITOR'S REPORT

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

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 Ohio Department of Education:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of the Lion of Judah Academy, Cuyahoga County, Ohio (the Academy), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

Auditing standards generally accepted in the United States of America and the standards applicable to the 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 records and related data; 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.

In addition to the circumstances listed above the Academy did not maintain sufficient documentation to support beginning net assets, amounts recorded as capital assets, salaries and fringe benefits expenses or the related disclosures. The Academy also did not provide a disclosure for material related party transactions in the notes to the financial statements. The effect on the financial statements for the previously mentioned balances and disclosures is presumed to be material and would have resulted in an additional opinion modification if we had opined on the financial statements.

***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to support an opinion. Accordingly, we do not express an opinion on these financial statements.

***Emphasis of Matter***

As discussed in Note 13 to the 2013 financial statements, the Academy voluntarily ceased operations on May 3, 2013 based on a vote by their Governing Board and approved by their Sponsor. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 17, 2014

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**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The discussion and analysis of the Lion of Judah Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the 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 Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the School comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2012-13 school year are as follows:

- Total assets decreased \$72,986.
- Total liabilities increased \$12,754.
- Total net assets decreased \$85,740.
- Total operating and non-operating revenues were \$1,367,803. Total operating expenses were \$1,453,544.

**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 Fund 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 School did financially during fiscal year 2013. 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 School'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 School 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 School's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the School did financially during 2013. 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 School's net assets for fiscal year 2013 compared to fiscal year 2012.

**Table 1  
Statement of Net Assets**

	2013	2012
<b>Assets</b>		
Current Assets	\$ 5,358	\$ 59,465
Capital Assets, Net of Accumulated Depreciation	153,786	172,665
Total Assets	159,144	232,130
<b>Liabilities</b>		
Current Liabilities	67,578	54,824
Total Liabilities	67,578	54,824
<b>Net Assets</b>		
Investment in Capital Assets	153,786	172,665
Unrestricted	(62,220)	4,641
Total Net Assets	\$ 91,566	\$ 177,306

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net assets totaled \$91,566.

Current assets represent cash and cash equivalents, accounts receivable and grants receivable. Current liabilities represent accounts payable and accrued expenses at fiscal year-end.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Statement of Revenues, Expenses and Changes in Net Assets**

Table 2 shows the changes in net assets for fiscal year 2013, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the School as a whole, the financial position of the School 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**

	<b>2013</b>	<b>2012</b>
<b>Operating Revenue</b>		
State Aid	\$ 1,148,611	\$ 1,435,470
Other	1,776	87,792
Total Operating Revenues	1,150,387	1,523,262
<b>Operating Expenses</b>		
Salaries	453,696	515,987
Fringe Benefits	144,682	206,485
Purchased Services	690,374	949,558
Materials and Supplies	43,039	22,559
Depreciation	57,804	54,000
Other	63,949	49,258
Total Operating Expenses	1,453,544	1,797,848
Operating (Loss)	(303,156)	(274,586)
<b>Non-Operating Revenues</b>		
Federal & State Grants	217,416	252,334
Total Non-Operating Revenues	217,416	252,334
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (85,740)</b>	<b>\$ (22,252)</b>

**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 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$153,786. This balance represents current year additions of \$38,925 offset by current year depreciation of \$57,804. For more information on capital assets, see Note 5 of the Basic Financial Statements.

**CURRENT FINANCIAL ISSUES**

The School ceased operations on May 3, 2013 and began the required closing procedures.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the Ohio Department of Education.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Net Assets  
At June 30, 2013**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 1,260
Accounts Receivable	<u>4,098</u>

Total Current Assets	<u>5,358</u>
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*Noncurrent Assets:*

*Capital Assets:*

Depreciable Capital Assets, net	<u>153,786</u>
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<i>Total Noncurrent Assets</i>	<u>153,786</u>
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Total Assets	<u><u>\$ 159,144</u></u>
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**Liabilities**

*Current Liabilities:*

Accounts Payable	\$ 34,009
Accrued Expenses	<u>33,569</u>

Total Liabilities	<u><u>\$ 67,578</u></u>
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**Net Assets**

Invested in Capital Assets	153,786
Unrestricted	<u>(62,220)</u>

Total Net Assets	<u><u>\$ 91,566</u></u>
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See accompanying notes to the basic financial statements

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Revenues,  
Expenses and Changes in Net Assets  
For the Year Ending June 30, 2013**

<b><u>Operating Revenues</u></b>	
State Aid	\$ 1,148,611
Other	1,777
Total Operating Revenues	<u>1,150,388</u>
<b><u>Operating Expenses</u></b>	
Salaries	453,696
Fringe Benefits	144,682
Purchased Services	690,374
Materials and Supplies	43,039
Other	63,949
Depreciation	57,804
<b>Total Operating Expenses</b>	<b><u>1,453,544</u></b>
<b>Operating (Loss)</b>	<b>(303,156)</b>
<b><u>Non-Operating Revenues</u></b>	
Federal Grants	217,416
Total Non-Operating Revenues	<u>217,416</u>
<b>Change in Net Assets</b>	<b>(85,740)</b>
<b>Net Assets, Beginning of Year</b>	<b><u>177,306</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 91,566</u></b>

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, 2013**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from State of Ohio	\$1,148,611
Cash Received from Other Operating Sources	1,777
Cash Payments to Suppliers for Goods and Services	(695,995)
Cash Payments to Employees for Services	(515,987)
Cash Payments for Employee Benefits	<u>(144,682)</u>
Net Cash (Used for) Operating Activities	(206,275)
<b><u>Cash Flows from Non-capital Financing Activities</u></b>	
Cash Received from Federal Grants	<u>217,417</u>
Net Cash Provided by Non-capital Financing Activities	217,417
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Cash Payments for Capital Acquisitions	<u>(38,925)</u>
Net Cash (Used for) Capital Financing Activities	(38,925)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(27,783)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>29,043</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 1,260</u></b>

**(continued)**

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH (USED FOR) OPERATING ACTIVITIES**

<b>Operating Loss</b>	\$ (303,156)
Depreciation	57,804
Changes in Assets and Liabilities:	
(Increase)/ Decrease in Accounts Receivable	26,324
Increase/ (Decrease) in Accounts Payable	333
Increase/ (Decrease) Accrued Expenses	<u>12,420</u>
Net Cash (Used for) Operating Activities	<u>(206,275)</u>

See accompanying notes to the basic financial statements



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE ENTITY**

The Lion of Judah Academy (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 the Ohio Department of Education ("ODE") (the Sponsor) for a two year period commencing on October 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The 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 Board controls the School's instructional and administrative staff.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

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

**B. Measurement Focus and Basis of Accounting**

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

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

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), 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**

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Assets. The School did not have any investments during the period ended June 30, 2012.

**E. Estimates**

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets and Depreciation**

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 financial records and any gain or loss is included in additions to or deductions from net assets. Capital assets were \$137,896 as of June 30, 2013, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

The School's policy for asset capitalization threshold is \$5,000. 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 programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$1,148,611 this fiscal year from the Foundation Program and \$217,417 from Federal grants.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Compensated Absences**

Vacation is taken in a manner which corresponds with the school calendar; therefore the 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. These liabilities consisted of accounts payable and accrued expenses and totaled \$67,578 at June 30, 2013.

**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 are reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws 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. 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.

**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 is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2013.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013, the book amount of the School's deposits was \$886 and the bank balance was \$2,145.

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, 2013, none of the bank balance was exposed to custodial credit risk.

**4. RECEIVABLES**

**A. Accounts Receivable**

The School has accounts receivables totaling \$4,098 at June 30, 2013. These receivables represented monies earned, but not received as of June 30, 2013.

**5. CAPITAL ASSETS**

For the period ending June 30, 2013, the School's capital assets consisted of the following:

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/13</u>
<b>Capital Assets:</b>				
Equipment	\$ 415,500	38,925	-	\$ 454,425
<b>Total Capital Assets</b>	415,500	38,925	-	454,425
<b>Less Accumulated Depreciation:</b>				
Equipment	(242,835)	(57,804)	-	(300,639)
<b>Total Accumulated Depreciation</b>	(242,835)	(57,804)	-	(300,639)
<b>Capital Assets, Net</b>	<u>\$ 172,665</u>	<u>(\$18,879)</u>	<u>\$ -</u>	<u>\$ 153,786</u>

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**6. RISK MANAGEMENT**

**A. Property & Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2013, the School contracted with Philadelphia Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$3,000,000.

**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 Anthem to all full-time employees. During the School year, the School paid 100% of the monthly premiums for all employees.

**7. 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 plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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](http://www.ohsers.org) under Employer/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013 and 2012 were \$12,446 and \$16,769, which equaled the required contribution of the year or 100%.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**7. DEFINED BENEFIT PENSIONS PLANS (Continued)**

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

**Plan Description** - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

**Funding Policy** - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Schools was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013 and 2012 were \$50,689 and \$51,573, which is equal to the required contributions for those years or 100%. There were no contributions to the DC and Combined Plans for fiscal year 2013.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**8. POST EMPLOYMENT BENEFITS**

**A. School Employee Retirement System (SERS Ohio)**

**Plan Description** - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 1.43 percent of covered payroll was allocated to health care. 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. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 School's contribution for health care (including surcharge) for the fiscal years ended June 30, 2013 and 2012, was \$1,439 and \$2,470 which is equal to the required contributions for those years or 100%.



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**8. POST EMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (SERS Ohio) (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2013 and 2012 were \$658 and \$898, which is equal to the required contributions for those years or 100%.

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2013 and 2012 was \$3,621 and \$3,967 which is equal to the required contributions for those years or 100%.

**9. 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.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**10. SPONSOR AND MANAGEMENT CONTRACTS**

**Sponsor**

The School contracted with the Ohio Department of Education 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, 2013, the total sponsorship fees paid totaled \$34,413.

**Management Company**

The School entered into an agreement with Latter Enterprises, a management company, to provide executive, financial, and other management support services for fiscal year 2013. The agreement was for a period of five years beginning July 1, 2012. Management fees are calculated as 18% of the total per pupil revenues received from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2013 was \$174,722 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Assets.

**11. PURCHASED SERVICES**

For the period of July 1, 2012 through June 30, 2013, the School made the following purchased services commitments.

Professional and Technical Services	\$ 352,026
Property Services	115,125
Utilities	30,916
Travel and Meetings	725
Contractual Trade Services	74,307
Pupil Transportation	117,275
	<u>\$ 690,374</u>

**12. LEASE OBLIGATIONS**

On October 1, 2012, the School entered into an amended sublease with Latter Enterprises to lease space located at 1486 E. 55<sup>th</sup> Street. The term of the lease is for a period of five years. Base rent expense for the fiscal year ended 2013 was \$90,664.

Future lease obligations are as follows:

FY2014	117,996
FY2015	117,996
FY2016	117,996
FY2017	29,499
Total	<u>\$383,487</u>

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**13. SCHOOL CLOSURE**

On May 3, 2013, the Lion of Judah Academy closed primarily because their contract for operation as a community school had expired and another sponsor for the School could not be identified. As required by the Ohio Department of Education (ODE), the School began all the necessary steps to wind down the School's affairs in accordance with the ODE's Closing Procedures Checklist. The School's sponsor and the designated Fiscal Officer worked to complete these requirements. As of the date of this report, the majority of the checklist has been completed, except for the auction of the School's contents. After the School ceased operations, the Fiscal Officer had scheduled the auction for July 2013, but before this could occur the School's landlord secured that building and did not let the auction occur nor allow the assets to be removed from the premises citing that the School owed the landlord monies in excess of what they believed the contents were worth. There has been no further action made to resolve this matter since that time. Since June 30, 2013, no other claims have been brought against the School. Additionally, the School has received approximately \$24,000 in various refunds or amounts due to the School. At the conclusion of this audit, these funds are being returned to the Ohio Department of Education.

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**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The discussion and analysis of the Lion of Judah Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the 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 Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the School comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2011-12 school year are as follows:

- Total assets decreased \$15,493.
- Total liabilities increased \$6,759.
- Total net assets decreased \$22,252.
- Total operating and non-operating revenues were \$1,775,596. Total operating expenses were \$1,797,848.

**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 Fund 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 School did financially during fiscal year 2012. 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 School'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 School 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 School's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the School did financially during 2012. 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 School's net assets for fiscal year 2012 compared to fiscal year 2011.

**Table 1  
Statement of Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current Assets	\$ 59,465	\$ 177,733
Capital Assets, Net of Accumulated Depreciation	172,665	69,890
<b>Total Assets</b>	<u><u>232,130</u></u>	<u><u>247,623</u></u>
<b>Liabilities</b>		
Current Liabilities	54,824	48,065
<b>Total Liabilities</b>	<u>54,824</u>	<u>48,065</u>
<b>Net Assets</b>		
Investment in Capital Assets	172,665	69,890
Unrestricted	4,641	129,668
<b>Total Net Assets</b>	<u><u>\$ 177,306</u></u>	<u><u>\$ 199,558</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School's net assets totaled \$177,306.

Current assets represent cash and cash equivalents, accounts receivable and grants receivable. Current liabilities represent accounts payable, accrued expenses and deferred revenue at fiscal year-end.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Statement of Revenues, Expenses and Changes in Net Assets**

Table 2 shows the changes in net assets for fiscal year 2012, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the School as a whole, the financial position of the School 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**

	<b>2012</b>	<b>2011</b>
<b>Operating Revenue</b>		
State Aid	\$ 1,435,470	\$ 904,434
Other	87,792	-
Total Operating Revenues	1,523,262	904,434
<b>Operating Expenses</b>		
Salaries	515,987	437,309
Fringe Benefits	206,485	169,112
Purchased Services	949,558	735,863
Materials and Supplies	22,559	77,149
Depreciation	54,000	24,010
Other	49,258	-
Total Operating Expenses	1,797,848	1,444,576
Operating (Loss)	(274,586)	(540,142)
<b>Non-Operating Revenues</b>		
Federal & State Grants	252,334	467,411
Total Non-Operating Revenues	252,334	467,411
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (22,252)</b>	<b>\$ (72,731)</b>

**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 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$172,665. This balance represents current year additions of \$156,775 offset by current year depreciation of \$54,000. For more information on capital assets, see Note 5 of the Basic Financial Statements.

**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.

During the fiscal year 2012, per pupil revenue decreased slightly over the prior year and stimulus monies through the State Fiscal Stabilization Fund (SFSF) were no longer available. As a result, the School was dependent on higher enrollments and active budget monitoring to close this gap. With no projected increase in per pupil funding for fiscal year 2013, the School will need to continue to closely manage expenses and evaluate the impact this will have on current and future year operations.

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

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the Ohio Department of Education.



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Net Assets  
At June 30, 2012**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 29,043
Accounts Receivable	<u>30,422</u>

Total Current Assets	<u>59,465</u>
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*Noncurrent Assets:*

*Capital Assets:*

Depreciable Capital Assets, net	<u>172,665</u>
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<i>Total Noncurrent Assets</i>	<u>172,665</u>
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Total Assets	<u><u>\$ 232,130</u></u>
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**Liabilities**

*Current Liabilities:*

Accounts Payable	\$ 33,675
Accrued Expenses	<u>21,149</u>

Total Liabilities	<u><u>\$ 54,824</u></u>
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**Net Assets**

Invested in Capital Assets	172,665
Unrestricted	<u>4,641</u>

Total Net Assets	<u><u>\$ 177,306</u></u>
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See accompanying notes to the basic financial statements

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Revenues,  
Expenses and Changes in Net Assets  
For the Year Ending June 30, 2012**

<b><u>Operating Revenues</u></b>	
State Aid	\$ 1,435,470
Other	87,792
Total Operating Revenues	<u>1,523,262</u>
<b><u>Operating Expenses</u></b>	
Salaries	515,987
Fringe Benefits	206,485
Purchased Services	949,558
Materials and Supplies	22,559
Other	49,258
Depreciation	54,000
<b>Total Operating Expenses</b>	<b><u>1,797,848</u></b>
<b>Operating (Loss)</b>	<b>(274,586)</b>
<b><u>Non-Operating Revenues</u></b>	
Federal Grants	252,334
Total Non-Operating Revenues	<u>252,334</u>
<b>Change in Net Assets</b>	<b>(22,252)</b>
<b>Net Assets, Beginning of Year</b>	<b><u>199,558</u></b>
<b>Net Assets, End of Year</b>	<b><u><u>\$ 177,306</u></u></b>

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, 2012**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from State of Ohio	\$1,405,049
Cash Received from Other Operating Sources	87,792
Cash Payments to Suppliers for Goods and Services	(966,551)
Cash Payments to Employees for Services	(515,987)
Cash Payments for Employee Benefits	<u>(206,485)</u>
Net Cash (Used for) Operating Activities	(196,183)
<b><u>Cash Flows from Non-capital Financing Activities</u></b>	
Cash Received from Federal Grants	<u>356,016</u>
Net Cash Provided by Non-capital Financing Activities	356,016
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Cash Payments for Capital Acquisitions	<u>(156,775)</u>
Net Cash (Used for) Capital Financing Activities	(156,775)
<b>Net Increase in Cash and Cash Equivalents</b>	3,057
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>25,985</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 29,043</u>

**(continued)**

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2012  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH (USED FOR) OPERATING ACTIVITIES**

<b>Operating Loss</b>	\$ (274,586)
Depreciation	54,000
Changes in Assets and Liabilities:	
(Increase)/ Decrease in Accounts Receivable	(30,422)
Increase/ (Decrease) in Accounts Payable	33,675
Increase/ (Decrease) Accrued Expenses	<u>21,149</u>
Net Cash (Used for) Operating Activities	<u>(196,183)</u>

See accompanying notes to the basic financial statements

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE ENTITY**

The Lion of Judah Academy (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 the Ohio Department of Education ("ODE") (the Sponsor) for a two year period commencing on October 1, 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The 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 Board controls the School's instructional and administrative staff.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

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

**B. Measurement Focus and Basis of Accounting**

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

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

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), 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**

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Assets. The School did not have any investments during the period ended June 30, 2011.

**E. Estimates**

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets and Depreciation**

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 financial records and any gain or loss is included in additions to or deductions from net assets. Capital assets were \$172,665, as of June 30, 2011, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

The School's policy for asset capitalization threshold is \$5,000. 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 programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$1,435,470 this fiscal year from the Foundation Program and \$252,334 from Federal grants.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Compensated Absences**

Vacation is taken in a manner which corresponds with the school calendar; therefore the 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. These liabilities consisted of accounts payable, accrued expenses, and deferred revenue and totaled \$54,824 at June 30, 2012.

**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 are reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws 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. 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.

**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 is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2012.



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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, 2012, the book amount of the School's deposits was \$29,043 and the bank balance was \$29,943.

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, 2012, none of the bank balance was exposed to custodial credit risk.

**4. RECEIVABLES**

**A. Accounts Receivable**

The School has accounts receivables totaling \$30,422 at June 30, 2012. These receivables represented monies earned, but not received as of June 30, 2012.

**5. CAPITAL ASSETS**

For the period ending June 30, 2012, the School's capital assets consisted of the following:

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>
<b>Capital Assets:</b>				
Equipment	258,725	156,775	-	\$415,500
<b>Total Capital Assets</b>	258,725	156,775	-	415,500
<b>Less Accumulated Depreciation:</b>				
Equipment	(188,835)	(54,000)	-	(242,835)
<b>Total Accumulated Depreciation</b>	(188,835)	(54,000)	-	(242,835)
<b>Capital Assets, Net</b>	<u>\$ 69,890</u>	<u>\$ 102,775</u>	<u>\$ -</u>	<u>\$ 172,665</u>

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**6. RISK MANAGEMENT**

**A. Property & Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2012, the School contracted with Philadelphia Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$3,000,000.

**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 Anthem to all full-time employees. During the School year, the School paid 100% of the monthly premiums for all employees.

**7. 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 plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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](http://www.ohsers.org) under Employer/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012 and 2011 were \$14,146 and \$16,430, which equaled the required contribution of the year or 100%.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**7. DEFINED BENEFIT PENSIONS PLANS (Continued)**

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

**Plan Description** - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

**Funding Policy** - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Schools was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012 and 2011 were \$51,573 and \$51,509, which is equal to the required contributions for those years or 100%. There were no contributions to the DC and Combined Plans for fiscal year 2012.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**8. POST EMPLOYMENT BENEFITS**

**A. School Employee Retirement System (SERS Ohio)**

**Plan Description** - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. 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. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 School's contribution for health care (including surcharge) for the fiscal years ended June 30, 2012 and 2011, was \$3,524 and \$2,779 which is equal to the required contributions for those years or 100%.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**8. POST EMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (SERS Ohio) (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 were \$910 and \$891, which is equal to the required contributions for those years or 100%.

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2012 and 2011 was \$3,967 and \$3,679 which is equal to the required contributions for those years or 100%.

**9. 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.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**10. SPONSOR AND MANAGEMENT CONTRACTS**

**Sponsor**

The School contracted with the Ohio Department of Education 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, 2012, the total sponsorship fees paid totaled \$42,836.

**Management Company**

The School entered into an agreement with Latter Enterprises, a management company, to provide executive, financial, and other management support services for fiscal year 2012. The agreement was for a period of five years beginning July 1, 2011. Management fees are calculated as 18% of the total per pupil revenues received from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2012 was \$260,517 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Assets.

**11. PURCHASED SERVICES**

For the period of July 1, 2011 through June 30, 2012, the School made the following purchased services commitments.

Professional and Technical Services	\$ 467,874
Property Services	155,076
Utilities	39,300
Travel and Meetings	3,081
Communications	4,264
Contractual Trade Services	124,959
Pupil Transportation	<u>155,005</u>
	<u><u>\$ 949,558</u></u>

**12. LEASE OBLIGATIONS**

On October 1, 2011, the School entered into an amended sublease with Latter Enterprises to lease space located at 1486 E. 55<sup>th</sup> Street. The term of the lease is for a period of five years. Base rent expense for the fiscal year ended 2012 was \$113,196.

Future lease obligations are as follows:

FY2013	\$117,996
FY2014	117,996
FY2015	117,996
FY2016	117,996
FY2017	<u>29,499</u>
Total	<u><u>\$501,483</u></u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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

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 Ohio Department of Education:

We were engaged to audit the financial statements of Lion of Judah Academy, Cuyahoga County, Ohio, (the Academy) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 17, 2014 wherein we noted we did not opine on the Academy's financial statements due to the failure to provide written representations. Additionally the Academy did not maintain sufficient documentation to support beginning net assets, amounts recorded as capital assets, salaries and fringe benefits expenses or the related disclosures. The Academy also did not provide a disclosure for material related party transactions in the notes to the financial statements

### ***Internal Control Over Financial Reporting***

As part of our financial statement engagement, we considered the Academy's internal control over financial reporting (internal control) to determine the procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-006.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 17, 2014



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Condition of Accounting Records**

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code § 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 § 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 the following deficiencies:

- Beginning net assets balances did not agree to the respective prior year ending balances
- Inspection of the general ledger revealed mathematical inaccuracies
- Governmental Accounting Standards Board (GASB) Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were not implemented in the financial statements as required
- The Payroll account bank reconciliation did not reflect outstanding checks
- The Academy did not disclosure material related party transactions
- The Academy did not prepare a reconciliation for the Petty Cash Account
- The Academy was unable to provide employee personnel files to determine if the required documents were present
- Payroll records did not provide evidence of Board approval or employment contracts for employee files tested
- Defined Benefit Pension Plans and Post Employment Benefits disclosures were generally accurate, but included errors, and only included the current year and one prior year's contributions
- Various non-payroll expenditures in fiscal year 2012 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 a proper public purpose
- The Academy has a capital assets policy in place but does not follow it. Further, this policy is not board approved

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

- Capital Assets are calculated using replacement cost while depreciation is calculated using acquisition cost
- There are a large number of fully depreciated assets on the capital asset 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 obtaining sufficient evidential matter from audit 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.

**2. Developing and Implementing an Effective Monitoring Control System**

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

Some effective monitoring controls include:

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

- Review of monthly bank reconciliations by someone independent of their preparation

The lack of effective monitoring controls could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board of Trustees, and non-compliance with federal or state laws or regulations. This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected.

**3. Community School Closing Assurances**

<i>Finding Number</i>	2013-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 3314.015 (E) requires the Ohio Department of Education to adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation. The guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point, after a school closes.

Ohio Rev. Code § 3314.03 (D) states the contract shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include the following: (6) Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year.

The Ohio Department of Education prescribes closing procedures and mandatory tasks in the form of a checklist titled "Assurance to ODE Form". If the school is unable or unwilling to execute, the responsibilities fall onto the Sponsor. At the time of closure, the Ohio Department of Education also served as the Academy's Sponsor. These tasks fall into the following sections:

- I. Initial Notifications, Student Records and School Records
- II. Disposition of Assets
- III. Preparation of Itemized Financials
- IV. Final Payments and Adjustments

The Fiscal Officer was unable to access the school premises after closure to complete the disposition of assets and there has been no further action by the Sponsor to resolve the matter through the date of this report. Many of the tasks are completed; however, the failure of completing the disposition of assets also prohibits the execution of the final payments and adjustments, and providing the full assurances of closeout.

The failure to complete the school close-out procedures could decrease transparency and prevent all funds and assets from being returned to the Ohio Department of Education.

This matter has been referred to the Ohio Department of Education.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

**4. Unlawful Interest in a Public Contract**

<i>Finding Number</i>	2013-004
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NONCOMPLIANCE

Ohio Rev. Code §3314.03(A)(11)(e) requires community schools to comply with Chapter 102 and §2921.42 of the Revised Code. Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority 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 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. 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.

Latter Enterprise was the Academy's Management Company during 2012 and 2013. 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 \$476,524 and \$250,135 respectively, during 2012 and 2013. There is no evidence the Academy met the requirements of Ohio Rev. Code § 2921.42(C).

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 \$1,517 during 2012. There is no evidence the Academy met the requirements of Ohio Rev. Code § 2921.42(C).

Lion of Judah Academy Board Members Carlena Williams-Hendking and Anthony Hendking owned and operated Karl King, LLC. The Academy made payments to Karl King, LLC totaling \$956 during 2012. There is no evidence the Academy met the requirements of Ohio Rev. Code § 2921.42(C).

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

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

statements incomplete and if unlawful subjects the Academy to improper payments.

This matter has been referred to the Ohio Ethics Commission.

**5. Footnote Disclosure of Management Company Expense**

<i>Finding Number</i>	2013-005
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NONCOMPLIANCE

Ohio Rev. Code § 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 26.8% and 18.2% for fiscal year 2012 and 2013, respectively, of the Academy's annual gross revenues and included a footnote for purchased services, but did not provide detailed accounting or supporting documentation. Without proper disclosure of management company expenses as required, the Academy is not being transparent to the public and is not complying with the Ohio Revised Code.

**6. Management Fees in Excess of Contract**

<i>Finding Number</i>	2013-006
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NONCOMPLIANCE

A School Management Agreement was executed on July 1, 2012 between the Academy and Latter Enterprise for management services. According to the contract, the fee imposed by Latter Enterprises is 18% of the Academy's gross receipts. In fiscal year 2012, Latter collected 26.8% 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.

**LION OF JUDAH ACADEMY  
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**SCHEDULE OF FINDINGS  
JUNE 30, 2013 AND 2012**

**Official's Response:** No response was received by Officials.

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CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Finding for Recovery - Latter Enterprise, Inc. Expenditures and Interest in a Public Contract	No	Not repaid. Noncompliance repeated as Finding 2013-004
2011-002	Finding for Recovery - PNC Unsupported Payment	No	Not repaid. Noncompliance no longer valid.
2011-003	Finding for Recovery - Strategy One	No	Not repaid. Noncompliance no longer valid.
2011-004	Finding for Recovery - Romey Coles Health Insurance Payments	No	Not repaid. Noncompliance no longer valid.
2011-005	Finding for Recovery - The Church of the Lion of Judah and Interest in a Public Contract	No	Not repaid. Noncompliance repeated as Finding 2013-004.
2011-006	Finding for Recovery - Promyse Inc. Expenditures and Interest in a Public Contract	No	Not repaid. Noncompliance no longer valid.
2011-007	Condition of Accounting Records	No	Repeated as Finding 2013-001.
2011-008	Developing and Implementing an Effective Monitoring Control System	No	Repeated as Finding 2013-002.
2011-009	Five-Year Forecast	Yes	Finding no longer valid.
2011-010	Management Fees in Excess of Contract	No	Repeated as Finding 2013-006.
2011-011	Footnote Disclosure of Management Company Expense	No	Repeated as Finding 2013-005.
2011-012	Issuance of 1099 Forms	Yes	Finding no longer valid.
2011-013	Sponsorship Monitoring of Academy	Yes	Finding no longer valid.
2011-014	Interest in a Public Contract	No	Repeated as Finding 2013-004.
2011-015	Collection of Income Tax at Source on Wages	Yes	Finding no longer valid.

**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

2011-016	Fringe Benefits - Leased Vehicle	Yes	Finding no longer valid.
2011-017	Bonding of Treasurer	Yes	Finding no longer valid.
2011-018	System of Internal Controls for Special Education and ARRA Special Education	Yes	Finding no longer valid.
2011-019	Activities Allowed and Unallowed - Special Education	Yes	Finding no longer valid.
2011-020	Maintenance and Level of Effort - Special Education	Yes	Finding no longer valid.
2011-021	Procurement and Suspension and Debarment - Special Education	Yes	Finding no longer valid.
2011-022	System of Internal Controls for Title I and Title I ARRA	Yes	Finding no longer valid.
2011-023	Activities Allowed and Unallowed - Title I	Yes	Finding no longer valid.
2011-024	Maintenance and Level of Effort - Title I	Yes	Finding no longer valid.
2011-025	Procurement and Suspension and Debarment - Title I	Yes	Finding no longer valid.
2011-026	System of Internal Controls for State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-027	Activities Allowed and Unallowed - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-028	Cash Management - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-029	Equipment and Real Property Management - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-030	Maintenance and Level of Effort - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-031	Procurement and Suspension and Debarment - State Fiscal Stabilization Fund	Yes	Finding no longer valid.



**LION OF JUDAH ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

2011-032	ARRA 1512 Reporting - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-033	Special Tests and Provisions - State Fiscal Stabilization Fund	Yes	Finding no longer valid.
2011-034	Federal Schedule	Yes	Finding no longer valid.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

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

To the Board of Education:

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

We noted the School amended its anti-harassment policy at its meeting on May 30, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 17, 2014

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](http://www.ohioauditor.gov)

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# 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  
NOVEMBER 20, 2014**