



**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Balance Sheet as of June 30, 2002	3
Profit and Loss for the Year Ended June 30, 2002	4
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	5
Schedule of Findings	7

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Imani Institute Leadership School
Cuyahoga County
16005 Terrace Road
East Cleveland, Ohio 44112

To the Board of Trustees:

We were engaged to audit the financial statements of the Imani Institute Leadership School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002. These financial statements are the responsibility of the School's management.

The School did not provide us with revenue or expense records, documentation (such as receipts and invoices) supporting individual receipts and expenditure transactions, support for debit card purchases, and monthly reconciliations of bank to book balances.

The accompanying financial statements do not include a statement of cash flows required by generally accepted accounting principles.

The net loss reported for the year on the Profit and Loss Statement of \$64,065 does not agree to the net loss reported at year end on the Balance Sheet.

The accompanying financial statements omit all disclosures required by generally accepted accounting principles.

Since the School did not provide the evidence described in the second paragraph above, the scope of our work was not sufficient for us to express an opinion, and we do not express an opinion on these financial statements for the year ended June 30, 2002.

The School reported a net loss in the amount of \$64,065 for the year ended June 30, 2002 and reported a deficit in total equity on the Balance Sheet of \$8,612 in its first year of operations.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2003 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 4, 2003

This page intentionally left blank.

IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY

BALANCE SHEET
AS OF JUNE 30, 2002

Assets:

Current Assets:

Checking/Savings	
National City Bank- Payroll	(\$1,818)
Total Checking/Savings	<u>(1,818)</u>

Other Current Assets	
Accounts Receivable	85,363
Total Other Current Assets	<u>85,363</u>

TOTAL ASSETS	<u><u>\$83,545</u></u>
---------------------	-------------------------------

Liabilities & Equity:

Liabilities:

Current Liabilities	
Other Current Liabilities	
Payroll Accrued	\$48,566
STRS Withheld	4,918
Taxes Withheld	38,673
Total Other Current Liabilities	<u>92,157</u>

Total Liabilities	<u>92,157</u>
-------------------	---------------

Equity:

Opening Balance Equity	76
Retained Earnings	21,652
Net Loss	(30,340)
Total Equity	<u>(8,612)</u>

TOTAL LIABILITIES & EQUITY	<u><u>\$83,545</u></u>
---------------------------------------	-------------------------------

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**Profit & Loss
For the Year Ended June 30, 2002**

<u>Income</u>	
Annual Parent's Fee	\$57,240
Cleveland Foundation	97,500
Contribution	10,000
Federal Start Up	150,623
Other Income	7,649
Parent's Transportation Fees	23,123
State Start-Up Grant	40,494
State/ODE	465,990
Uniforms	13,136
TOTAL INCOME	<u>\$865,755</u>
<u>Expense</u>	
Accounting	\$1,770
Advertising	8,407
Bank Service Charge	1,758
Catering	8,432
Cellular Service	1,957
Conference	4,784
Construction	10,000
Consulting	48,948
Copying	2,838
Food	213
Furniture	29,080
Instructional Materials	13,754
Insurance	3,887
Internet	87
Lease	100,295
Legal Services	11,671
License	12
Maintenance	545
Membership	1,064
Miscellaneous	4,596
Moving Expense	12,876
Office Supplies	7,142
Outside Services	575
Parking	1,500
Payroll-Gross	495,979
Permit	249
Planning	689
Postage	668
Program Supplies	47,529
Reimbursement	5,660
Renovation	600
Rental	19,496
Repairs	5,577
Security	3,900
Shipping	3,513
State Teachers Retirement	43,219
Subscription	129
Telephone	6,531
Training	900
Transportation	18,990
TOTAL EXPENSE	<u>\$929,820</u>
NET LOSS	<u>(\$64,065)</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Imani Institute Leadership School
Cuyahoga County
16005 Terrace Road
East Cleveland, Ohio 44112

To the Board of Trustees:

We were engaged to audit the financial statements of the Imani Institute Leadership School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002, and have issued our report dated November 4, 2003 in which we issued a disclaimer of opinion and we noted the net loss for the year reported on the Profit and Loss Statement does not agree to the net loss reported on the Balance Sheet, the omission of a cash flow statement and the omission of all disclosures required by generally accepted accounting principles. The School reported a net loss in the amount of \$64,065 for the year ended June 30, 2002 and reported a deficit in total equity on the Balance Sheet of \$8,612 in its first year of operations.

Compliance

As part of our engagement, we attempted to perform tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our test of available documentation and, accordingly, we do not express such an opinion. The results of our limited tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the School's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements, where in we disclaimed an opinion, and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 through 2002-011.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-004 through 2002-009 to be material weaknesses.

This report is intended for the information and use of management and the Board of Trustees, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 4, 2003

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

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

FINDING NUMBER	2002-001
-----------------------	-----------------

Financial Report Filing

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. This report, in part, shall contain the following:

- Amount of collections and receipts, and accounts due from each source;
- Amount of expenditures for each purpose;

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Rev. Code Section 117.38. This section requires that "All counties, cities, and school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles". Generally accepted accounting principles (GAAP) require the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and,
- Notes to the financial statements as prescribed by GAAP;

As of November 4, 2003 the School had not filed its financial statements for the year ended June 30, 2002, which was their first year of operation. In addition, the School did not present the cash flow statement or the notes to the financial statements during this engagement.

We recommend that the school organize its financial recordkeeping, develop tickler files as a reminder of filing dates, and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable, the School may be assessed a late filing penalty.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-002
-----------------------	-----------------

USAS / EMIS Reporting Requirements

Ohio Revised Code Section 3314.03(A)(11)(d) requires community schools follow the requirements of Ohio Revised Code Section 3301.0714, in the manner specified in Section 3314.17 of the Ohio Revised Code. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each school district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data;
- Procedures for annually reporting the data to the general public;

Section B prescribes

- Guidelines outlining what information should be maintained in the system;

Section C further prescribes

- The education management information system shall include cost accounting data for each district as a whole and by building;

Section D further prescribes

- Guidelines which require information about individual students, staff members, or both; and,

Section E further prescribes

- Guidelines which describe any and all special reports which may be required.

In addition, Section 117-6-01 of the Ohio Administrative Code and, Chapter 4, Section 4.2 of the EMIS manual prescribe that each school district maintain its records on the Uniform School Accounting System (USAS). This system involves an account structure with district dimensions. To meet these requirements it is necessary for the school to maintain its financial records at specified minimum levels of detail for each dimension.

The School failed to meet the reporting and record keeping requirements as enumerated above. The School did not properly file required EMIS reports.

We recommend the School review the agreed upon requirements of the Community School Contract, the above noted sections of the Ohio Revised Code, and the Ohio Administrative Code which are part of the contract and are very specific as to this requirement. The School has no options in the implementation and use of this system.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-003
-----------------------	-----------------

Parent Charges reported on Financial Statements

Ohio Revised Code Section 3314.08 (l) provides that “No community school shall charge tuition for the enrollment of any student” and Section 3314.09 provides that “The board of education of each city, local, and exempted school district shall provide transportation to and from school for its district’s native students in accordance with Section 3327.01 of the Revised Code”.

The School reported an annual parent’s fee and a parent’s transportation fees on the Profit and Loss Statement. These appear to be contrary to the above revised code section.

FINDING NUMBER	2002-004
-----------------------	-----------------

Policies and Procedures of the Board

Imani Board Policy Number 4, dated April 3, 2001 titled “*Disbursement of Funds*” provides that the Board of Trustees will approve funds expended by the Imani Institute Leadership School pursuant to the annual budget. All funds are to be used consistently with the Code of Regulations of Imani Institute, Incorporation and the laws of the State of Ohio governing non-profit corporations.

The procedures to be followed in the administration of the policy are as follows:

- A fund request is presented to the Board of Trustees and is acted on by a majority of the Board of Trustee members present;
- The budget is reviewed, by the treasurer, to determine if the funds are available. If not available, the Board can modify the budget by a two-thirds affirmative vote of the members;
- Funds may be approved or denied by the Board of Trustees;
- The Treasurer must maintain a record of all disbursements along with correlating documentation, and will report monthly on the accumulation of expenses against the budget;
- The Treasurer shall submit a financial report that will include all expenses and projected revenues;
- All contracts for services must be reviewed by the Board of Trustees and a legal advisor, prior to signage;
- The Superintendent shall have full custody and keep account of monies, funds, and property of the Imani Institute Leadership School, unless otherwise determined by the Board of Trustees, keep full and accurate accounts of receipts and disbursements in books belonging to the Imani Institute Leadership School, and shall render such accounts and present such statements to the Board of Trustees, as may be required of him/her; and,
- The Superintendent shall have the authority to execute checks, drafts, offers of payment, contracts, and any other instrument on behalf of the Imani Institute Leadership School, subject to the budget process mandated by the Board of Trustees.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-004
-----------------------	-----------------

Policies and Procedures of the Board (Continued)

Based on a review of Imani’s minute records, financial statements were not prepared and submitted to the Board, as required. Also, based on inquiry and review of the available financial information, we noted that financial records were not maintained, bank to book reconciliations were not prepared, and invoices representing claims against the School from vendors for good and services were not filed in a manner which would allow for the preparation of financial statements.

In the absence of this information, the Board cannot make informed decisions concerning the financial activity of the School, the School is not in compliance with the directives of Policy Number 4 of the Board of Trustees, and it is possible that School funds could be spent illegally.

We recommend the Board enforce its policies and procedures and instruct the School management to prepare and submit the required financial statements and all other documentation included in this policy. Furthermore, failure to meet these requirements, as prescribed, should force the Board to take action which may result in the termination of the person responsible for the preparation and submission of said documentation.

FINDING NUMBER	2002-005
-----------------------	-----------------

Condition of the Financial Records

Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that are designed to record, process, summarize, and report transactions consistent with management’s assertions. Also, the fair presentation of financial statements, in accordance with generally accepted accounting principles, is a direct and integral part of management’s responsibility to provide reliable and accurate information. During this engagement, we were unable to verify the accuracy of neither the net loss reported for the year on the Profit and Loss Statement nor the net loss reported on the Balance Sheet. Management showed no evidence of maintaining financial records in detail nor were they able to produce monthly financial statements.

Without accurate and complete recording and presentation of financial activity, the financial position of the School cannot be determined nor confirmed. Also, in the absence of complete and accurate financial records and financial statements, the School could experience losses, lose assets, and have debt amounts in excess of their ability to repay. We noted that the financial records, of the School, consisted of the following:

- Partial financial statements; (Balance Sheet and Profit and Loss Statement);
- Carbon copy of checks and/or check stubs for the audit period;
- Check registers for the audit period;
- Board minute records from April 2001 to May 2002;
- Bank statements for the period July 2001 through June 2002 with the exception of December 2001 and February 2002;
- Payroll reports for the period August, 2001 though June 2002;

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-005
-----------------------	-----------------

Condition of the Financial Records (Continued)

- Invoices filed alphabetically with no reference/cross reference to payment or expenditure documentation;
- Monthly bank statements; and,
- ADP records of most payrolls.

In addition to the above identified records, in order to conduct this engagement, we requested the following records that the School was unable to furnish:

- Receipt records of revenues received;
- The general ledger;
- The revenue ledger;
- The expenditure ledger;
- Trial balances;
- Cash flows statement prepared in accordance with generally accepted accounting principles;
- Board approval for employee salary and/or wage rates;
- Notes to the financial statements as required by generally accepted accounting principles;
- Fixed asset records;
- Monthly bank to book reconciliations; and,
- Evidence of the Board reviewing or approving any of the financial activity of the School.

We recommend the School develop and maintain a system of controls and financial records which exhibit the financial position of the School, and at a minimum, consist of the following:

- Revenue ledgers which record all sources of monies received, purpose of the receipt, and from whom received;
- Sequentially numbered duplicate receipts prepared for all monies received;
- Copies of all deposit transactions to the bank;
- Reconciliations of bank deposits to duplicate receipts and revenue ledgers;
- Development of a system to document approvals for expenditures made;
- Expenditure ledgers which record all expenditures of monies and the purpose of the expenditure;
- Files which consist of the original invoices received for all expenditures made which cross reference to the checks prepared for the payment of the invoices;
- Complete and accurate listings of all outstanding checks at the end of each month;
- Complete and accurate monthly bank to book reconciliations;
- Preparation of monthly financial statements;
- Development of Board policies which enumerate and describe the financial records to be maintained by the School;
- Development by management of a complete system of controls to help ensure the completeness, accuracy, and validity of the School's financial transactions;
- Evidence of review of the financial statements and supporting documentation by the Board and management;

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-005
-----------------------	-----------------

Condition of the Financial Records (Continued)

- Financial statements which include all statements required by Generally Accepted Accounting Principles (GAAP);
- Notes to the financial statements which consist of all disclosures required by Generally Accepted Accounting Principles; and,
- Any other records (financial or non-financial) which the Board of Trustees or management should determine to be useful in the discharge of their duties.

The School 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.

It is imperative that accurate and complete records which exhibit true balances be maintained. If necessary, School management should seek training sessions for financial statement preparation, read and study the available authoritative literature, develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity, and if necessary seek out the assistance of a professional who is familiar with the these requirements.

FINDING NUMBER	2002-006
-----------------------	-----------------

Purchasing Cycle Controls

The School was not following the non-payroll purchasing control procedures which were developed by the Board. When we reviewed the June 2002 bank statement, we noted that a check debit card was used to circumvent the purchasing system. During this month, the card was used at vendors such as Ann Taylor Clothing Store, Home Depot Stores, Lowe's Home Improvement Stores, Cleveland Convention Center, various hotels and motels, restaurants, and gas stations.

The Board of Trustees should develop a strict policy on the use of the check debit card. The use of this card should be limited to the specific identified employees. Also, the card should be controlled by a designated individual who is not designated as an authorized user of the card. Since all purchases with the debit card are identified on the bank statement, an independent review of each month's bank statement should be performed to verify that the directives of the Board are followed and all purchases are for a proper school purpose.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-007
-----------------------	-----------------

Developing and Implementing an Effective Monitoring Control System

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether the Board's objectives are being achieved. Effective monitoring controls should 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. Based on a review of the minute record of the Board meetings, we were unable to identify any procedures which would indicate that the Board was reviewing any of the financial activity of the School or if control procedures were reviewed to assure that Board and management objectives were met.

We recommend, at a minimum, that the Board perform the following on a regular basis:

- 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 transactions;
- 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 financial statements with historical data and interim periods;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and,
- Review of monthly bank reconciliations by someone independent of their preparation.

Financial reports were not prepared or presented to the Board on a monthly basis. There was no evidence that monthly bank to book reconciliations were prepared and reviewed by someone independent of their preparation.

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

We recommend management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of grant agreements, are completed and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-008
-----------------------	-----------------

Statement of Cash Flows Required by Generally Accepted Accounting Principles

A Cash Flow statement is a required part of a complete set of financial statements prepared in conformity with generally accepted accounting principles. A statement of cash flows contains the amount of cash received by or used by the school for operating activities, non-operating activities, investing activities, and financing capital outlay activities. This statement indicates the effect of operation on the cash and cash equivalents and provides a reconciliation between the beginning and ending cash and cash equivalent amounts. The statement of cash flows enables the reader of the financial statements to review the actual receipt and payment of cash for the various purposes reported on.

In the absence of the cash flow statement the financial statements are incomplete, actual cash transactions are not reported on, and there is no reconciliation of the cash and cash equivalents. The School did not present a cash flow statement, during this engagement.

We recommend the School take all necessary steps including, if necessary, hiring an individual who is familiar with the requirements of generally accepted accounting principles to prepare the financial statements in the required format.

FINDING NUMBER	2002-009
-----------------------	-----------------

Note Disclosures Required by Generally Accepted Accounting Principles

Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements.

- Summary of significant accounting policies;
- Budgeting;
- Receivables;
- Fixed Assets;
- Definition of cash and cash equivalents used in the statement of cash flows;
- Policy regarding the use of FASB pronouncements;
- Cash deposits with financial institutions;
- Investments (if applicable);
- Purchased Services;
- Risk Management;
- Debt service requirements to maturity;
- Significant contingent liabilities;
- Significant effects of events subsequent to the balance sheet date;
- Annual pension costs and obligations; and,
- Commitments under leases.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-009
-----------------------	-----------------

Note Disclosures Required by Generally Accepted Accounting Principles (Continued)

The above identified notes to the financial statements are not all inclusive and additional disclosures should be made if necessary.

It is vital that the School develop and present financial statements which are comprised of all required financial statements and disclosures. Without these disclosures the financial statements are incomplete, could be misinterpreted, and improper conclusions could be reached.

FINDING NUMBER	2002-010
-----------------------	-----------------

Establishing an Audit Committee

The School should establish an audit committee. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." An audit committee should perform the following functions:

- Periodically review the process used to prepare interim financial information submitted to the Board;
- Review the annual unaudited financial report submitted to the Auditor of State;
- Review audit results;
- Assure that audit recommendations are appropriately addressed; and,
- Serve as liaison between management and independent auditors.

Generally accepted auditing standards require that auditors communicate the following information to an audit committee:

- The auditors' professional responsibility under generally accepted auditing standards;
- Selections of accounting policies;
- Sensitive accounting estimates;
- Significant audit adjustments;
- Disagreements with management; and,
- Difficulties encountered in performing the audit.

The audit committee can include members of the Board of Trustees or the current finance committee. However, it is preferable to include representation that is independent from officials or management. The committee could include professionals knowledgeable in the School's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the School's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

**IMANI INSTITUTE LEADERSHIP SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER	2002-011
-----------------------	-----------------

Payment of State Teachers Retirement System Withholdings

As of June 30, 2002, the School had not remitted the retirement withholdings from the teaching employees on a timely basis. The amount owed by the School totaled \$4,549. This amount represented the withholdings for the pay periods ending May 31, 2002, June 14, 2002, and June 28, 2002. The State Teachers Retirement System had, by rule of the retirement board, mandated that retirement system withholdings be deposited with the system no later than five business days after the pay period ending date. These withholding were received by the retirement system on August 6, 2002.

In addition, the School had not remitted the retirement withholdings from the teaching employees on a timely basis for the pay periods ending July 15, 2003 through October 15, 2003. The School made a payment to the State Teachers Retirement System in the amount of \$3,608 for the pay periods ending July 15, 2003, July 31, 2003, August 15, 2003, and August 31, 2003 on November 4, 2003. The School is still delinquent for the pay periods ending September 15, 2003, September 30, 2003, and October 15, 2003 for the amount of \$6,387.

We recommend the School be diligent in its responsibility and remit the withholdings from the employees on a timely basis. These funds are the employees and not the Schools. Also, the School could be assessed late payment penalties and interest if payment is not made on a timely basis.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

IMANI INSTITUTE LEADERSHIP SCHOOL

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
JANUARY 6, 2004**