



Dave Yost • Auditor of State

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Independent Accountants' Report on Applying Agreed-Upon Procedures	29

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Frederick Douglass Reclamation Academy
(DBA West Cleveland Drop Back In)
Cuyahoga County
3167 Fulton Road
Cleveland, Ohio 44109

To the Board of Directors:

We have audited the accompanying basic financial statements of the Frederick Douglass Reclamation Academy, Cuyahoga County, Ohio, (the School), as of and for the initial year of operations ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Frederick Douglass Reclamation Academy, Cuyahoga County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements, the School has incurred a net deficit of \$539,108, as of and for the year ended June 30, 2011. Management's strategy in regard to these matters is described in Note 14 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

February 14, 2013

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of Frederick Douglass Reclamation Academy, DBA, West Cleveland Drop Back In (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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 2010-11 school year are as follows:

- Total assets were \$42,828
- Total liabilities were \$581,936
- Total net assets were \$(539,108).
- Total operating and non-operating revenues were \$86,557. Total operating expenses were \$625,665.

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

These statements report the 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.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2011. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2011. This is the School's first year of operation. Therefore, comparative information is not available.

Table 1 – Statement of Net Assets

	<u>2011</u>
Assets	
Current Assets	\$ 42,828
Total Assets	<u>42,828</u>
Liabilities	
Current Liabilities	<u>581,936</u>
Total Liabilities	581,936
Net Assets	
Unrestricted	<u>(539,108)</u>
Total Net Assets	<u>\$ (539,108)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School's net assets totaled \$(539,108).

Current assets represent cash and cash equivalents and intergovernmental receivable. Current liabilities represent amounts owed to the management company and notes payable at fiscal year-end.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2011, 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. This is the School's first year of operation. Therefore, comparative information is not available.

Table 2 – Changes in Net Assets

	<u>2011</u>
Operating Revenues	
State Aid	\$ 54,680
Total Operating Revenues	<u>54,680</u>
Operating Expenses	
Purchased Services: Edison Learning	586,679
State Retirement	24,692
Other Direct Expenses	<u>14,294</u>
Total Operating Expenses	<u>625,665</u>
Operating (Loss)	(570,985)
Non-Operating Revenues	
Federal Grants	<u>31,877</u>
Total Non-Operating Revenues	<u>31,877</u>
Changes in Net Assets	<u>\$ (539,108)</u>

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (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.

DEBT

During the fiscal year, the School received monies from a long-term note from Edison Learning, Inc. in the amount of \$116,665. At fiscal year end, the note had a principal balance due of \$68,097. For more information over the School's debt, see Note 6 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.

With the conclusion of fiscal year 2011, the School will no longer continue to receive monies related to the Federal Stimulus package. This includes monies received through the State Fiscal Stabilization Fund (SFSF) and American Recovery and Reinvestment Act (ARRA) funds. Additionally, all community schools in the State have experienced a slight reduction in the amount of per pupil revenue (State Aid) for fiscal year 2012. The School will need to evaluate the extent of the impact this will have on current year operations.

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

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 C. David Massa, CPA, of Massa Financial Solutions, LLC, 3167 Fulton Rd. Cleveland, Ohio 44104 or e-mail at dave@massasolutionsllc.com.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**Statement of Net Assets
At June 30, 2011**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 2,975
Accounts Receivable	<u>39,853</u>

Total Current Assets	<u>42,828</u>
----------------------	---------------

Total Assets	<u>\$ 42,828</u>
--------------	------------------

Liabilities

Current Liabilities:

Notes Payable	\$ 68,097
Edison Payable	<u>513,839</u>

Total Liabilities	<u>\$ 581,936</u>
-------------------	-------------------

Net Assets

Unrestricted	<u>(539,108)</u>
--------------	------------------

Total Net Assets	<u><u>\$ (539,108)</u></u>
------------------	----------------------------

See accompanying notes to the basic financial statements

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

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

Operating Revenues

State Aid	\$ 54,680
Total Operating Revenues	<u>54,680</u>

Operating Expenses

Purchased Services: Edison Learning	586,679
State Retirement	24,692
Sponsor Fees	11,214
Other	3,080
Total Operating Expenses	<u>625,665</u>

Operating (Loss) (570,985)

Non-Operating Revenues

Federal Grants	31,877
Total Non-Operating Revenues	<u>31,877</u>

Change in Net Assets (539,108)

Net Assets, Beginning of Year -

Net Assets, End of Year \$ (539,108)

See accompanying notes to the basic financial statements

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011**

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$ 14,827
Cash Payments to State Retirement Systems	(24,692)
Cash Payments to Suppliers for Goods and Services	<u>(600,973)</u>
Net Cash (Used for) Operating Activities	(610,838)
<u>Cash Flows from Non-capital Financing Activities</u>	
Cash Received from Federal Grants	<u>31,877</u>
Net Cash Provided by Non-capital Financing Activities	31,877
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Advances from Edison Learning	810,991
Cash Repayments of Edison Learning Advances	(297,152)
Cash Proceeds from Edison Learning Note	116,665
Cash Payments on Edison Learning Note	<u>(48,568)</u>
Net Cash Provided by Capital Financing Activities	581,936
Net Increase in Cash and Cash Equivalents	2,975
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,975</u>

(Continued)

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011
(Continued)**

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

Operating Loss	\$ (570,985)
Changes in Assets and Liabilities:	
(Increase)/ Decrease Intergovernmental Receivable	<u>(39,853)</u>
Net Cash (Used for) Operating Activities	<u>(610,838)</u>

See accompanying notes to the basic financial statements

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE ENTITY

Frederick Douglass Reclamation Academy, DBA, West Cleveland Drop Back In, (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 Educational Resource Consultants of Ohio, Inc. ("ERCO") (the Sponsor) for a one year period commencing on July 1, 2010, with automatic renewal unless written. 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 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.

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.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. 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.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

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

Under the above programs the School recorded \$54,680 this fiscal year from the Foundation Program and \$31,877 from Federal grants.

G. 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.

H. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of notes payable and Edison payable and totaled \$581,936 at June 30, 2011.

I. 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.

J. 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.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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, 2011.

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, Chase Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2011, the book amount of the School's deposits was \$2,975 and the bank balance was \$2,975.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2011, none of the bank balance was exposed to custodial credit risk.

4. RECEIVABLES

The School has intergovernmental receivables totaling \$39,853 at June 30, 2011. These receivables represented \$27,643 due from the State of Ohio for FTE adjustments related to the 2011 fiscal year and \$12,210 of cash revenue earned, but not received as of June 30, 2011.

5. RISK MANAGEMENT

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, 2011, the School contracted with Lauterbach & Elber, Inc. 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.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

6. NOTES PAYABLE

During the fiscal year ending 2011, the School entered into a note agreement with Edison Learning monies loaned to the School in the amount of \$116,665. The note activity during the year is reflected as follows:

Promissory Note	Balance		Balance	
<u>Amount</u>	<u>July 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2011</u>
\$116,665	<u>\$ 0</u>	<u>\$116,665</u>	<u>\$ 48,568</u>	<u>\$ 68,097</u>

7. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description – Edison Learning on behalf of 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 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, 2011 were \$6,063, which equaled the required contribution of the year or 100%.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

7. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio)

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.

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 2011, 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 School's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2011 was \$18,762, which is equal to 100 percent that has been contributed for fiscal year 2011. There were no contributions to the DC and Combined Plans for fiscal year 2011.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 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 2011, 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 year ended June 30, 2011, was \$1,510; 100 percent has been contributed for fiscal year 2011.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 year ended June 30, 2011 was \$390.17; 100 percent has been contributed for fiscal year 2011.

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 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 2011, 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 year ended June 30, 2011 was \$1,443; 100 percent has been contributed for fiscal year 2011.

9. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts 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. This review resulted in an adjustment of \$27,643 that the School was underpaid during fiscal year 2011.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

9. CONTINGENCIES (Continued)

D. Ohio Department of Education Student Attendance Data Review

A detailed review of the online login records was conducted for the School by the Ohio Department of Education (ODE) in March 2012. As a result of the review of the login records and the adjustments made in the School Options Enrollment System (SOES), it was necessary for the School to return a portion of the funds received in FY11 that they were not entitled to. The effect of these disallowed claims reduced the State Aid received by the School by \$346,894 in 2011. The actual revenue amount of \$54,680 is reported in the accompanying financial statements. The amount owed by the School was paid by Edison Learning in April 2012.

E. Statewide Review of Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2011, if applicable, cannot be determined at this time.

10. SPONSOR CONTRACT

The School contracted with Educational Resource Consultants of Ohio, Inc. (ERCO) as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2011, the total sponsorship fees paid totaled \$11,214.

11. AGREEMENT WITH EDISON LEARNING, INC./ PURCHASED SERVICES EXPENSE

On April 20, 2010, the School contracted with Edison Learning, Inc. to provide educational programs that offer educational excellence and educational innovation based on Edison Learning, Inc.'s unique school design, comprehensive educational programs, and management principles. The contract may be renewed for an additional five-year term. Under the contract, Edison Learning, Inc. is responsible and accountable to the School's Board of Directors for the administration, operation, and performance of the School in accordance with the School's contract with ERCO to operate the School. Significant provisions of the contract are as follows:

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

11. AGREEMENT WITH EDISON LEARNING, INC./PURCHASED SERVICES EXPENSE (Continued)

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to Edison Learning, Inc. all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources." The following is a summary of current payment activity to Edison Learning, Inc., which included the Notes Payable amount of \$68,097:

Amount due current fiscal year	\$ 586,679
Amount remitted current fiscal year	<u>(4,743)</u>
Amount Due to Edison	<u>\$ 581,936</u>

2. The School's Financial Responsibility

The School is responsible for initial startup costs and rent. The School is also responsible to pay for legal fees directly related to activities of the Board.

3. Edison Financial Responsibilities

Edison Learning, Inc. is responsible for costs associated with operating the School. Such costs shall include, but shall not be limited to, salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums, utilities, janitorial services, audit, legal and financial management services related to the operation of the School and repairs and maintenance of the School's facilities, except for capital repair. Edison Learning, Inc. shall equip the School's facilities with desks and other furniture and furnishings and these items are considered property of Edison Learning, Inc. Edison Learning, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; educator liability coverage; automobile liability insurance, for, personal injury and property damage; property insurance for facilities; and workers' compensation insurance for employees.

4. Budget

Edison Learning, Inc. shall provide the School with an annual budget, in reasonable detail, by June 30 of each fiscal year for the following fiscal year.

B. Educational Services

Edison Learning, Inc. subcontracted Alternatives Unlimited, which provided educational services to dropout prevention and recovery schools, to assist in executing the Edison's financial responsibilities noted above.

C. Personnel

All personnel working at the School were employees of Alternative Unlimited.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

11. AGREEMENT WITH EDISON LEARNING, INC./PURCHASED SERVICES EXPENSE (Continued)

D. Agreement Termination

1. Termination by the School

The School may terminate the contract in the event Edison Learning, Inc. materially breaches the contract and Edison Learning, Inc. fails to remedy such breach within 90 days of its receipt of written notice of such breach from the School.

2. Termination by Edison Learning, Inc.

Edison Learning, Inc. may terminate the contract in the event the School materially breaches the contract and the School fails to remedy such breach within 90 days of its receipt of written notice of such breach from Edison Learning, Inc.

E. Edison Learning, Inc. - Purchased Services

For the fiscal year ended June 30, 2011, Edison Learning, Inc. incurred the following expenses on behalf of the School:

Direct Site Expenses:

Salaries and Wages and Benefits	\$368,447
Professional and Technical Services	62,232
Property Services	43,965
Curriculum and materials	93,400
Interest Expense	8,799
Other Direct Costs	<u>9,836</u>
Total Expenses	<u>\$586,679</u>

12. SUBSEQUENT EVENTS

After June 30, 2011, the Agreement between Edison Learning and Alternatives Unlimited was terminated and the management of the School was taken on directly by Edison Learning. As a result of this change, the School entered into a new lease for a facility, signed a revised management agreement with Edison Learning Inc., and changed its name from West Cleveland Drop Back In to the Frederick Douglass Reclamation Academy.

13. FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2011 was \$2,975. Additionally, the School has significant liabilities at June 30, 2011 which has resulted in deficit net assets of (\$539,108). Overcoming this deficit may be difficult without significant increases to revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

**FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

14. MANAGEMENT PLAN

The entire amount owed at June 30, 2011 is for unpaid operating expenses and outstanding notes payable to Edison Learning, Inc. Edison Learning, Inc. remains committed to the success of the School both academically and financially. Currently, the Board of Directors and Edison Learning, Inc. have engaged in discussions about the current debt of the School. Further, during the current year, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.



Dave Yost • Auditor of State

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

Frederick Douglass Reclamation Academy
(DBA West Cleveland Drop Back In)
Cuyahoga County
3167 Fulton Road
Cleveland, Ohio 44109

To the Board of Directors:

We have audited the basic financial statements of the business-type activities of the Frederick Douglass Reclamation Academy, Cuyahoga County, Ohio, (the School) as of and for the initial year of operations ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2013, wherein we noted the School has incurred a net deficit of \$539,108, as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2011-02 and 2011-03.

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 14, 2013.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

February 14, 2013

FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

Effects on Financial Statements – Material Weakness

Sound financial reporting is the responsibility of the Treasurer/CFO and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and accounting records:

The School did not initially reduce their State Aid Revenues by \$346,894 for amounts owed back to the Ohio Department of Education, which was repaid in April 2012 by Edison Learning (the management company). Further, the School's Edison Payable was increased by \$277,515 and the management fee expense was decreased \$69,379 (or 20%). These adjustments are reflected in the financial statements.

The lack of controls over the posting of financial transactions and financial reporting and footnote disclosure resulted in material errors and irregularities that decreases the reliability of financial data throughout the year.

We recommend that the School's management become more familiar with the contents of their financial statements to ensure all items are being properly recognized and recorded in the proper period.

Official's Response:

The School has taken steps to improve its internal controls over financial reporting including the hiring of a new School Fiscal Officer that has experience working with community schools in Ohio. Additionally, this particular adjustment was the result of a review of student records by the Ohio Department of Education. In addition to efforts that were already underway and as a direct result of this review, improvements were made in enrollment reporting and will significantly reduce the likelihood of an adjustment of this significance occurring again.

FINDING NUMBER 2011-02

Student Attendance Records – Material Weakness/Material Noncompliance

Ohio Revised Code Section 3314.08(B) requires the governing authority of each community school to report annually the number of students enrolled in grades one through twelve and the number of students enrolled in kindergarten in the school.

Ohio Administrative Code Section 3301-29-01 requires each school district to review monthly enrollment for students enrolled in a community school established pursuant to Chapter 3314 of the Revised Code and entitled to attend school in the district pursuant to section 3313.64 or 3313.65 of the Revised Code. Further, community school governing boards are required to report annually their attendance figures to the Ohio Department of Education (ODE).

FREDERICK DOUGLASS RECLAMATION ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-02 (Continued)

Student Attendance Records – Material Weakness/Material Noncompliance (Continued)

The Community School is required to accurately show the number of students that are enrolled throughout the school year. Students that are enrolled and withdrawn from the School should be properly documented and posted to the School Options Enrollment System (SOES) and reported to the EMIS regional coordinator.

During the Ohio Department of Education's (ODE) review of the log in records and the adjustments made in the SOES, ODE noted the original source documentation would not materialize and was unavailable to verify student attendance. The ODE found it necessary for the School to return a portion of the funds received during fiscal year 2011 that they were not entitled to, due to a lack of internal controls regarding attendance procedures. The amount requested to be returned for 2011 to the Ohio Department of Education was \$346,894.

We recommend that the Community School properly document student enrollment and withdrawal information to the SOES.

During 2012, the entire \$346,894 owed back to the ODE, was paid back directly by the School's Management Company, Edison Learning, Inc.

Official's Response:

The records reviewed during this timeframe were under the care and responsibility of the School's previous management company, Alternatives Unlimited who was subcontracted by Edison Learning, Inc. Previous to this review, Edison Learning terminated its agreement with Alternatives Unlimited and began managing the School directly. In addition to efforts that were already underway and as a direct result of this review, improvements were made in enrollment reporting and will significantly reduce the likelihood of an adjustment of this significance occurring again.

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-03

Finding for Recovery– Sponsor Fees – Repaid Under Audit

Ohio Revised Code Section 3314.03 (C), states the sponsor may contract with the school to receive 3% or less of the amount the State pays to a school annually, solely for the costs of its oversight and monitoring activities.

Based on a review by the Ohio Department of Education (ODE), of the School's Full Time Equivalent (FTEs), the School was overpaid by \$346,894. This amount was remitted to the Treasurer of the State of Ohio by the School on April 30, 2012. Due to the reduction of State Aid Revenues, The Educational Resource Consultants of Ohio (ERCO) (the Sponsor), was overpaid \$10,407, or 3% of \$346,894.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Education Resource Consultants of Ohio, Inc. (ERCO) and James Szabo, previous Treasurer, and Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of \$10,407 in favor of Frederick Douglass Reclamation Academy.

Official's Response:

This finding for recovery was repaid under audit by Christ Tabernacle Ministries of Excellence, Inc., the parent company of the Educational Resources Consultants of Ohio, Inc., on January 29, 2013, and deposited on February 1, 2013.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Frederick Douglass Reclamation Academy
(DBA West Cleveland Drop Back In)
Cuyahoga County
3167 Fulton Road
Cleveland, Ohio 44109

To the Board of Directors:

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 the Frederick Douglass Reclamation 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.

1. We noted the School adopted its initial anti-harassment policy at its meeting on May 11, 2012, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Directors and the 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

February 14, 2013

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

This page intentionally left blank.



Dave Yost • Auditor of State

FREDERICK DOUGLAS RECLAMATION 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
MARCH 12, 2013**