**WEB DUBOIS ACADEMY**
**HAMILTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**

Mary Taylor, CPA
Auditor of State

**WEB DUBOIS ACADEMY**
**HAMILTON COUNTY**

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

WEB DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the accompanying basic financial statements of the WEB DuBois Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2008, 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 that 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 WEB DuBois Academy, Hamilton County, Ohio as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, 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.

As discussed in Note 16 to the financial statements, the School has suffered recurring losses from operations and has a net asset deficiency. Additionally, the School has unpaid audit fees. Note 16 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 15 to the financial statements, on August 25, 2009, the Ohio Department of Education made the determination that the School would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code. Management has not disclosed plans related to the closing of the School.

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The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

April 29, 2010

The discussion and analysis of W.E.B. DuBois Academy's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

## Financial Highlights

Key financial highlights for the W.E.B. DuBois Academy during fiscal year 2008 are as follows:

- Total net assets of the School decreased $278,097 or 90.8% in fiscal year 2008. Ending net assets of the School were ($584,374) compared with ($306,277) at June 30, 2007.

- Total assets at the end of fiscal year 2008 were $1,204,768, a decrease of 19.1% and total liabilities were $1,789,142, a decrease of 0.4%.

- The School's operating loss for fiscal year 2008 was $751,509 before consideration of the non-operating revenues. When all operating and non-operating revenues are included, the net operating loss for fiscal year 2008 was $278,097.

## Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the Basic Financial Statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

*Statement of Net Assets*

The Statement of Net Assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources 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.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2008 compared to adjusted fiscal year 2007.

Table 1
Net Assets

| | 2008 | 2007 |
|---|---|---|
| Assets: | | |
| Current assets | $ 183,514 | $ 231,103 |
| Capital Assets, Net | 1,021,254 | 1,258,465 |
| Total Assets | 1,204,768 | 1,489,568 |
| Liabilities | | |
| Current liabilities | 203,284 | 127,733 |
| Non-current liabilities | 1,585,858 | 1,668,112 |
| Total Liabilities | 1,789,142 | 1,795,845 |
| Net Assets: | | |
| Restricted | 25,032 | - |
| Unrestricted | (609,406) | (306,277) |
| Total Net Assets | $ (584,374) | $ (306,277) |

Total assets of the School decreased by $284,800 a 19.1 percent decrease from total assets reported for the fiscal year 2007. The current assets at the end of fiscal year 2008 were $47,589 lower than the current assets balance at the end of fiscal year 2007, which is a decrease of 20.6 percent.

Noncurrent assets decreased by $237,211 (18.8%) to $1,021,254 during the 2008 fiscal year primarily due to the depreciation of $239,002 in noncurrent financial assets. Noncurrent financial assets for the School are comprised of capital assets (building, equipment, etc.), net of accumulated depreciation. Total liabilities of the School decreased $6,703 or 0.4% over those reported one year ago as a result of debt payments.

The total net assets reported for fiscal year 2008 declined by $278,097 or 90.8%. Unrestricted net assets decreased by $303,129 to ($609,406) while restricted net assets increased by $25,032.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to changes reported for fiscal year 2007.

Table 2
Change in Net Assets

| | 2008 | 2007 |
|---|---|---|
| Operating Revenues: | | |
| Foundation Payments | $ 846,025 | $ 1,361,828 |
| Charges for Services | - | 465,063 |
| Other Operating Revenue | 134,906 | 120,314 |
| Non Operating Revenues: | | |
| State and Federal Grants | 418,489 | 165,138 |
| Other Non Operating Revenue/Contributions | 80,270 | - |
| Total Revenues | 1,479,690 | 2,112,343 |
| Operating Expenses: | | |
| Salaries & Wages | 532,123 | 927,244 |
| Fringe Benefits | 320,154 | 479,753 |
| Contracted Fiscal / Operations Services | 112,813 | - |
| Purchased Services | 381,698 | 507,737 |
| Materials and supplies | 118,046 | 28,388 |
| Depreciation* | 239,002 | 239,645 |
| Other Operating Expenses | 28,604 | 139,539 |
| Non-Operating Expenses: | | |
| Interest Expense | 25,347 | 32,398 |
| Total Expenses | 1,757,787 | 2,354,704 |
| Change in Net Assets | (278,097) | (242,361) |
| Net Assets, beginning of year | (306,277) | (63,916) |
| Net Assets, end of year | $ (584,374) | $ (306,277) |

Total revenue decreased by $632,653 for fiscal year 2008 compared with the prior fiscal year primarily due to the decreased revenue from the Ohio Department of Education directly related to a significant reduction in student enrollment compared to the previous fiscal year.

Expenses reported for fiscal year 2008 were $596,917 lower than expenses reported for fiscal year 2007 primarily due to significant reductions in staff salaries/benefits necessary to provide instruction and administrative services for a smaller student population.

### Capital Assets

At the end of fiscal year 2008, the School had $1,021,254 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There was a total of $1,794 in purchases which met the School's capitalization threshold of $500 during the year. See Note 5 of the basic financial statements for additional details.

### Debt

For the past two years, the School has been in the process of recovering from the financial challenges of fiscal years 2004, 2005, and 2006. A major portion of the recovery plan was the repayment of outstanding notes associated with: (1) the purchase of the building located at 1812 Central Parkway (2) the improvements made to the 1812 Central Parkway building, and (3) the purchase of a school bus. In addition, the School obtained a line of credit in 2006 to support the ongoing cash flow needs of the School. The following is a schedule of notes payable at June 30, 2008:

| | |
|---|---|
| PNC Line of Credit | $ 205,000 |
| Long-Term Debt | |
| PNC Note - Bus | 34,702 |
| PNC Note - Building Improvements | 155,763 |
| Hubert Foundation – Promissory Note | 1,190,392 |
| Total | $1,585,857 |

### Current Financial Issues

The future financial stability of the School is not without challenges. The major challenge is the state economy. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School. Based upon Ohio legislation signed into law in mid-2009 regarding school closure rules, the School will be terminating operations at the end of the 2009-2010 school year.

**Contacting the School**

This financial report is designed to provide a general overview of the finances of the W.E.B. DuBois Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of W.E.B. Du Bois Academy, 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

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# W.E.B. DUBOIS ACADEMY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | $ 16,689 |
| Accoujnts Receivable | 134,379 |
| Receivable - Intergovernmental | 32,446 |
| Total current assets | 183,514 |
| NON-CURRENT ASSETS | |
| Capital assets (Net of accumulated depreciation) | 1,021,254 |
| Total noncurrent assets | 1,021,254 |
| TOTAL ASSETS | 1,204,768 |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts Payable | 170,162 |
| Contracts Payable | 1,448 |
| Accrued Wages Payable | 958 |
| Intergovernmental Payable | 30,716 |
| Total Current Liabilities | 203,284 |
| NON CURRENT LIABILITIES | |
| Due in less than one year | 356,306 |
| Due in more than one year | 1,229,552 |
| Total Long-Term Liabilities | 1,585,858 |
| TOTAL LIABILITIES | 1,789,142 |
| NET ASSETS | |
| Restricted | 25,032 |
| Unrestricted | (609,406) |
| TOTAL NET ASSETS | $ (584,374) |

See accompanying notes to the financial statements.

# W.E.B. DUBOIS ACADEMY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | | |
|---|---|---|
| OPERATING REVENUES: | | |
| Foundation payments | $ | 846,025 |
| Other Operating Revenues | | 134,906 |
| Total operating revenues | | 980,931 |
| OPERATING EXPENSES | | |
| Salaries & Wages | | 532,123 |
| Fringe benefits | | 320,154 |
| Contractual fiscal and operations services | | 112,813 |
| Other purchases services | | 381,698 |
| Materials and supplies | | 118,046 |
| Depreciation* | | 239,002 |
| Other expenses | | 28,604 |
| Total non-operating expenses | | 1,732,440 |
| Operating Loss | | (751,509) |
| NON-OPERATING REVENUES | | |
| Federal Grants | | 221,555 |
| State Grants | | 196,934 |
| Contributions | | 27,000 |
| Other Non-Operating Revenues | | 53,270 |
| Interest Expense | | (25,347) |
| Total non-operating revenues | | 473,412 |
| Changes in net assets | | (278,097) |
| Net assets (accumulated deficit) at beginning of year | | (306,277) |
| Net assets at end of year | $ | (584,374) |

See accompanying notes to the financial statements.

# W.E.B. DUBOIS ACADEMY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | | |
|---|---|---|
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | |
| **Cash flows from operating activites:** | | |
| Cash Received from Foundation Payments | $ | 854,693 |
| Cash Received from Other Operating Revenues | | 80,029 |
| Cash Payments for Personal Services | | (773,576) |
| Cash Payments for Contract Services | | (452,104) |
| Cash Payments for Supplies and Materials | | (45,048) |
| Cash Payments for Miscellaneous | | (29,166) |
| Net cash used for operating activities | | (365,172) |
| **Cash flows from noncapital financing activites:** | | |
| Cash from Federal & State Subsidies | | 401,563 |
| Cash Received from Contributions | | 27,000 |
| Cash Received from Other Non-Operating Revenues | | 4,342 |
| Cash Received from Line of Credit Increase | | 205,000 |
| Payments for Principal of Line of Credit | | (130,000) |
| Net cash provided by noncapital financing activities | | 507,905 |
| **Cash flows from capital and related financing activites:** | | |
| Payments for Capital Acquisitions | | (1,794) |
| Payments of Principal on Capital Debt | | (165,975) |
| Payments for Interest on Capital Acquisitions | | (25,347) |
| Net cash used for capital and related financing activities | | (193,116) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | (50,383) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 67,072 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ | 16,689 |
| **Reconcililation of operating loss to net cash used for operating activities** | | |
| Operating Loss | $ | (751,509) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation | | 239,002 |
| Changes in assets and liabilities: | | |
| Increase (decrease) in Accounts Payable | | 144,929 |
| Increase (decrease) in Contracts Payable | | 1,448 |
| Increase (decrease) in Accrued Wages and Benefits | | 958 |
| Total Adjustments | | 386,337 |
| Net cash used for operating activities | $ | (365,172) |

See accompanying notes to the financial statements.

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## 1. Description of the School and Reporting Entity

WEB DuBois Academy – Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Using a direct instruction approach in teaching the students, the School's mission is its commitment to the academic and social development of the students. Scholastic subjects such as math, language, reading, and science are provided to students grades 4th through 8th. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2000. The Thomas B. Fordham Foundation was the School's sponsor at the beginning of fiscal year 2008. The sponsorship of the School was transferred to the Educational Resources Consultants of Ohio (ERCO) in January 2008. 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 original charter agreement with the sponsor required the School to develop a non-profit corporation. Equal Playing Field Corporation was incorporated under Chapter 1702 of the Ohio Revised Code on August 23, 1999, as the not-for-profit corporate board of W.E.B. DuBois Academy (See Note 2.J. regarding the School's Federal tax status.)

The School operates under the direction of a seven-member Board of Trustees (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 population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 12 non-certified and 8 certificated full time teaching personnel who provide services to 152 students.

The School has entered into a service agreement with Mangen & Associates to provide certain financial, accounting services and business manager support services, including performing all duties required of the Treasurer of the School (Note 11).

## 2. Summary of Significant Accounting Policies

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

## 2. Summary of Significant Accounting Policies (Continued)

### A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including

depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

### B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The difference between total assets and liabilities are defined as net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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 expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**2. Summary of Significant Accounting Policies (Continued)**

**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 Rev. Code Section 5705, unless specifically provided in the school's contract with its sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds. The School had no investments during the fiscal year.

**E. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. The School does not possess any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Estimate Life |
|---|---|
| Buildings | 30 years |
| Furniture, Fixtures, and Equipment | 5 years |
| Leasehold Improvements | 5 years |

**F. 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.

**G. Intergovernmental Revenues**

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

**2. Summary of Significant Accounting Policies (Continued)**

Intergovernmental revenues associated with the Foundation Program totaled $846,025 and revenues associated with specific education grants from the state and federal governments totaled $418,489 during fiscal year 2008.

**H. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

**I. Accrued Liabilities Payable**

The School has recognized certain liabilities on its Statement of Net Assets relating to expenses, which are due but unpaid as of June 30, 2008, including:

1. Accounts payable – payment for goods and services received by the School.

2. Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2008 contract.

3. Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2008 that were paid in the subsequent fiscal year.

**J. Federal Tax Exemption Status**

The Schoolhas obtained its § 501(c)(3) tax exempt status under the name of Equal Playing Field Corporation. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Assets, net of related debt, 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.

## 3. Deposits and Investments

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either 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 and pledged to secure the repayments of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At June 30, 2008, the carrying amount of the School's deposits was $16,689 and the bank balance was $60,742. The bank balance at June 30, 2008 was collateralized under FDIC insurance and no remaining amounts were uncollateralized and uninsured. All statutory requirements for the deposit of public money had been followed.

## 4. Intergovernmental Receivables

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2008 is as follows:

| Grants Receivables | Amount |
|---|---|
| Federal and State Grants | $32,446 |

## 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

| Description | 6/30/2007 | Additions | Deletions | 6/30/2008 |
|---|---|---|---|---|
| Buildings | $ 629,061 | $ - | $ - | $ 629,061 |
| Leasehold Improvements | 1,472,117 | - | - | 1,472,117 |
| Furniture & Equipment | 118,337 | 1,794 | - | 120,131 |
| Vehicles | 93,142 | - | - | 93,142 |
| Total Assets | 2,312,657 | 1,794 | - | 2,314,451 |
| | | | | |
| AD – Building | 27,959 | 20,969 | - | 48,928 |
| AD – Leasehold | 891,725 | 186,936 | - | 1,078,661 |
| AD – Furniture & Equip | 88,803 | 13,701 | - | 102,504 |
| AD – Vehicles | 45,708 | 17,396 | - | 63,104 |
| Accumulated Depreciation | 1,054,195 | 239,002 | - | 1,293,197 |
| | | | | |
| Total Net Values | $ 1,258,462 | $ (237,208) | $ - | $ 1,021,254 |

## 6. Risk Management

### A. Property and 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 2008, the School obtained private insurance coverage for property and general liability insurance in corroboration with the Cincinnati Speech and Reading Intervention Center;

Collective coverage amounts are as follows:

| | |
|---|---|
| Commercial Property (Coinsurance is 90%; $1,000 deductable) | |
| Business Personal Property Included | $2,733,210 |
| Business Income & Extra Expense | $430,000 |
| General Liability: | |
| Per occurrence | $1,000,000 |
| Aggregate total | $2,000,000 |
| Employee Benefits Liability/Program: | |
| Each Employee ($1,000 deductible for each employee) | $1,000,000 |
| Aggregate total | $3,000,000 |
| Employer's stop gap Liability: | |
| Per injury | $1,000,000 |
| Aggregate total | $2,000,000 |
| School Leaders Errors and Omissions Liability: | |
| Each Wrongful Act/Aggregate Limit ($10,000 deductible) | $1,000,000 |
| Commercial Crime: | |
| Forgery and Alterations ($500 deductible) | $50,000 |
| Public Employee Dishonesty, per Loss ($1,000 deductible) | $500,000 |
| Vehicle Coverage: | |
| Combined Single Limit/Uninsured Motorist Liability ($500/$1,000 deductible) | $1,000,000 |
| Computer Equipment Blanket | $202,734 |
| Student Accident ($500 deductible) | $250,000 |

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

### B. Workers' Compensation

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

### C. Employee Medical and Dental Benefits

The School carries medical and dental insurance for all employees of the School.

## 7. Defined Benefit Pension Plans

### A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 state statue per 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

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 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; at June 30, 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $19,841, $42,028 and $73,564 respectively; 100 percent has been contributed for all fiscal years.

### B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

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 member contributions and earned interest matched by STRS Ohio funds times 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.

## 7. Defined Benefit Pension Plans (Continued)

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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008 plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School 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% for members and 14% 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 years ended June 30, 2008, 2007, and 2006 were $72,407, $131,549 and $229,037 respectively; 100 percent has been contributed for all fiscal years.

## 8. Post-employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008, 2007, and 2006 was $5,570, $10,119 and $17,618 respectively.

## 8. Post-employment Benefits

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

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

a. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retires and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The School contributions for the year ended June 30, 2008 were $1,430, which equaled the required contributions for the year.

b. Health Care Plan

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

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (latest information currently available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School contributions for the years ended June 30, 2008, 2007, and 2006 were $15,884, $ (See Note 14), and $ (See Note 14) respectively.

## 8. Post-employment Benefits (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated accordingly to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater then 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

## 9. Restricted Net Assets

At June 30, 2008 the School reported restricted net assets totaling $25,032. The nature of the net asset restrictions are as follows:

| | |
|---|---|
| State specific educational program grants | $ 8,990 |
| Federal specific educational program grants | 16,042 |
| Total | $25,032 |

## 10. Contingencies

### A. 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 disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2008.

### B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2008 as a result of such review.

## 11. Contracted Fiscal Services

The School is a party to a fiscal and operation/business services agreement with Mangen & Associates (M&A) School Resource Center, which is an education consulting company. The Agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.

2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.

3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

In addition, Mangen & Associates provides various business and operations support services to the School. The total fee paid for these services during fiscal year 2008 was $112,813 ($103,453 paid and $9,360 accrued).

## 12. Other Purchased Services

During the fiscal year ended June 30, 2008, other purchased service expenses for services rendered by various vendors were estimated as follows:

| | |
|---|---|
| Professional and Technical Services | $158,637 |
| Property Services | 66,468 |
| Travel Mileage/Meeting Expenses | 47 |
| Communications | 10,749 |
| Utilities | 51,455 |
| Contract Craft or Trade Services | 94,051 |
| Pupil Transportation | 291 |
| Total Purchased Services | $381,698 |

## 13. Capital Lease

The School has a ten year lease with Knowlton Terminals, Inc. for building space at 1905 Elm Street to be used for educational and administrative purposes. The lease includes a purchase option which must be exercised not less than six months prior to the end of the lease on July 13, 2013. In fiscal year 2008, there were lease obligations and additional fees due of $59,347. All payments were made by the Cincinnati Speech & Reading Intervention Center because it had full use of the facility during fiscal year 2008.

## 14. Non-Current Liabilities

The School held the following debt during the fiscal year:

PNC Bank Loan with a limit of $290,000 dated August 18, 2003 and expiring on September 1, 2008. The interest rate on the loan is variable at the prime rate and payable in monthly installments of $2,417 plus accrued interest. The balance at June 30, 2008 is $155,763.

PNC Bus Loan in the amount of $78,357 dated May 23, 2005 and expiring June 1, 2010. The interest rate on the bus loan is fixed at 6.875% and payable in monthly installments of $1,553 including accrued interest. The balance at June 30, 2008 is $34,702.

PNC Line of Credit in the amount of $250,000 dated August 17, 2006 and expiring August 16, 2008. The interest rate on the line of credit is variable at the prime rate.

The Hubert Family Foundation provided a promissory note in the amount of $1,700,000 dated February 28, 2006. The School borrowed $183,510 during the fiscal year bringing the total borrowing to $1,455,392. A monthly payment of $10,000 is required and the balance at June 30, 2008 is $1,190,392.

| Issue | Interest Rate | Issue Date | Maturity Date | 7/1/07 Balance | Additions | Deductions | 6/30/08 Balance | Due within 1 Year | Due more than 1 year |
|---|---|---|---|---|---|---|---|---|---|
| PNC Loan | 0.06875 | 8/18/03 | 9/1/09 | 177,400 | 0 | 21,637 | 155,763 | 14,557 | 141,206 |
| PNC Bus Loan | 0.06875 | 5/2305 | 6/1/10 | 50,319 | 0 | 15,616 | 34,703 | 16,749 | 17,954 |
| PNC Loan | Var. | 8/17/06 | 8/16/08 | 130,000 | 205,000 | 130,000 | 205,000 | 205,000 | 0 |
| Hubert Family Foundation | 0.06 | 02/28/06 | 10/01/26 | 1,310,392 | 0 | 120,000 | 1,190,392 | 120,000 | 1,070,392 |
| | | | | 1,668,111 | 205,000 | 287,253 | 1,585,858 | 356,306 | 1,229,552 |

## 15. Subsequent Events

On August 25, 2009, the Ohio Department of Education made the determination that the School would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code.

## 16. Management Plan For Negative Net Assets

The financial plan for recovering from the negative net asset position is to restrict spending for administration and operating expenses to a level below 20% of core operating expenses.

## 17. Noncompliance

Contrary to Ohio law, available data was not sufficient to prove that students were withdrawn from school once the student had missed 105 consecutive hours of school without a legitimate excuse. This resulted in the School being overfunded for certain students and Findings for Recovery were issued for the overfunded amount.

The Cincinnati Speech and Reading Intervention Center made payments on behalf of WEB Dubois to two outside vendors based upon verbal agreements (as opposed to written agreements) to support the WEB lease payments.

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

WEB DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the financial statements of the WEB DuBois Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2008, and have issued our report thereon dated April 29, 2010, wherein we noted the School incurred an operating loss and negative net asset balance. Additionally, it was noted that the School has unpaid audit fees and has an independence impairment regarding these fees. We also noted the School will permanently close and their contract will be terminated on June 30, 2010. 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the School's management in a separate letter dated April 29, 2010.

**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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 29, 2010.

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 Board of Directors, and the School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

April 29, 2010

**WEB DUBOIS ACADEMY**
**HAMILTON COUNTY**

**SCHEDULE OF FINDINGS**
**JUNE 30, 2008**

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

### FINDING NUMBER 2008-001

**Finding for Recovery**

**Ohio Rev. Code, Section 3314.03(A)(6)(b),** requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. During the 2006-2007 school year the School offered 10 hours of instruction per day; therefore, a student could not have missed more than 11 consecutive non-excused days before being considered withdrawn from the school.

School management is responsible for accurately entering and maintaining student information in the CSADM database. The student files maintained by the School should substantiate the date a student withdraws from the School. When a student withdraws from the School the student file should be updated with a withdrawal form to support the withdrawal date. Because information was not provided for audit, additional procedures were performed over student attendance and the following exceptions were noted:

- No enrollment forms were presented for audit specifically enrolling students in WEB DuBois Academy for four of the 40 students (10%) tested.
- For the 15 students who were withdrawn during the school year, no student withdrawal form(s) were presented for audit for 12 of the 15 students (80%).
- Student files were incomplete. For two of the 40 student files (5%) tested a copy of the student's birth certificate and/or social security card were not on file.

While the School's available student attendance records were incomplete, we expanded our testing and performed alternative procedures. We determined six students reflected on the CSADM Report submitted to ODE for funding should have been withdrawn from the School, and funding from ODE should have ceased prior to the date reflected on the CSADM report.

Of the six students identified:

- One student should have been withdrawn four months earlier;
- Four students should have been withdrawn two to eight weeks earlier; and
- One student should have been withdrawn less than a week earlier.

For the six students deemed to be overfunded, the number of days overfunded ranged from three days to 90 days. The total number of days overfunded for all students combined totaled 188 days.

For fiscal year 2008, ODE provided a base amount and a cost of doing business factor for weighted foundation amount for each student in attendance at the School totaling $5,614.42. We divided the ODE funding amount by the 1,800 hours of learning opportunities eligible for funding times 10 hours of instruction provided per day to arrive at a daily FTE unit rate per student of $31.19. We multiplied the combined unallowable 188 days by the daily FTE unit rate of $31.19 ($5,614.42/1,800 hours * 10 hours per day = $31.19) to calculate ODE's overpayment to the School of $5,863.72 ($31.19*188 days = $5,863.72).

**FINDING NUMBER 2008-001**
**(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against WEB DuBois Academy for public money illegally expended in the amount of $5,863 and in favor of the Ohio Department of Education.

Of the six students indicated above the School improperly received base foundation funding totaling $5,863. Due to the complex nature of calculating the special education foundation payment amount, we will refer the calculation of the special education overpayment amount to ODE for calculation.

**Officials' Response:**

After being notified by the Auditors, the School established additional control procedures to monitor the CSADM/SOES database and to ensure students are withdrawn after 105 consecutive hours of absences from the School.

**FINDING NUMBER 2008-002**

**Noncompliance**

The Equal Playing Field Corporation, doing business as WEB DuBois Academy (the School), entered a ten year lease with Knowlton Terminals, Inc. for the use of a facility located at 1905 Elm Street. The lease contains a lease-purchase option and is in effect for the period August 1, 2003 through July 13, 2013. Prior to fiscal year 2008, there was a service agreement between the School and WEB DuBois Academy which provided that WEB DuBois Academy would provide facility services to the School at a monthly rate of $7,816.

The lease agreement between **Equal Playing Field Corporation doing business as WEB DuBois Academy ("Lessee") and Knowlton Terminals, Inc. ("Lessor") Article 13 Assignment or Subletting** states that "Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Demised Premises without the prior written consent of the Lessor, not to be unreasonably withheld."

For fiscal year 2008, the School violated its lease agreement by subletting the facility to the Cincinnati Speech and Reading Intervention Center, a related community school, without obtaining the consent of Knowlton Terminals, Inc..

During fiscal year 2008, Cincinnati Speech and Reading Intervention Center made building lease payments on behalf of the School totaling $59,346.80 directly to Knowlton Terminals. There was no service agreement, or other written agreement in place between the School and Cincinnati Speech and Reading Intervention Center regarding these payments. Furthermore, no action was taken to alter the lease between Equal Playing Field Corporation d.b.a. WEB DuBois Academy, and, all invoices paid by Cincinnati Speech and Reading Intervention Center listed WEB DuBois Academy as the lessee.

Failure to adhere to the terms of the lease agreement could result in a termination of the lease agreement and the purchase option available to the School. We recommend that the School terminate the subletting of the lease facility to the related community school, and use the facility only within the confines of the lease agreement with Knowlton Terminals, Inc., or obtain the consent of Knowlton Terminals, Inc, as required by the lease agreement.

**Officials Response:**

The modifications to this lease agreement were confirmed by a verbal understanding among all involved parties. An additional review process was implemented by the School to ensure future lease and services agreements are written in a manner consistent with the intent of all involved parties.

**WEB DUBOIS ACADEMY**
**HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2007-001 | Finding for Recovery – against the school regarding student funding. | No | Repeated as Finding 2008-001 Not repaid as of May 4, 2010 |
| 2007-002 | Significant Audit Adjustments to School's Financial Records | Yes | |
| 2007-003 | Lease Agreement Noncompliance | No | Repeated as Finding 2008-002 |

Note: The report that contained the findings above for the year ended June 30, 2007 was issued at the same time as this report. Therefore, many of the comments could not be addressed prior to the issuance of this report.

Mary Taylor, CPA
Auditor of State

**WEB DUBOIS ACADEMY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JUNE 1, 2010**

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