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ALLSPORT ACADEMY
Tucson, Arizona

FINANCIAL STATEMENTS
June 30, 2011

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LOREN YUNK, CPA, MBA, MEMBER DARIN GUTHRIE, CPA, MSA, MEMBER

Independent Auditors' Report

Board of Directors
Allsport Academy
Tucson, Arizona

We have audited the accompanying statement of financial position of Allsport Academy (the School) as of June 30, 2011 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the School as of June 30, 2010. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the statement of cash flows, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards required that we plan and perform the audits to obtain reasonable assurance about 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Allsport Academy as of June 30, 2011 and the changes in its net assets 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 also issued a report dated November 9, 2011 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 10 to the financial statements, the School has suffered recurring losses from operations, has a working capital deficit, and a deficit in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Yunk & Guthrie CPAs, PLLC

Tucson, Arizona
November 9, 2011

ALLSPORT ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 13,829
Accrued receivables	5,933
Grants receivable	1,000
Total current assets	20,762
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $ 60,660	13,165
OTHER ASSETS	
Deposits	4,921
TOTAL ASSETS	$ 38,848

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses (See Note 10)	$ 254,158
Interest payable	87,943
Taxes payable	71,286
Demand note payable	239,180
Current portion of capital lease	2,151
Current portion of long term debt	4,598
Total current liabilities	659,316
LONG TERM LIABILITIES	
Notes payable, net of current portion	194,426
Obligations under capital lease, net of current portion	3,345
Total long term liabilities	197,771
TOTAL LIABILITIES	857,087
NET ASSETS, unrestricted (See Note 10)	(818,239)
TOTAL LIABILITIES AND NET ASSETS	$ 38,848

These financial statements should be read only in connection with the accompanying notes to the financial statements.

ALLSPORT ACADEMY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

UNRESTRICTED REVENUES AND OTHER SUPPORT	
Tuition earned from State of Arizona, Department of Education	$ 342,713
Funds from State of Arizona, Department of Education under Proposition 301	14,190
Grants	116,233
Contributions	950
Other income	13,146
Total unrestricted revenues and other support	487,232
EXPENSES	
Program services	553,259
General and administrative	87,370
Total expenses	640,629
(Decrease) in Unrestricted Net Assets	(153,397)
NET ASSETS, BEGINNING OF THE YEAR (See Note 10)	(664,842)
NET ASSETS, END OF THE YEAR	$ (818,239)

These financial statements should be read only in connection with the accompanying notes to the financial statements.

ALLSPORT ACADEMY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (153,397)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	5,427
Changes in operating assets and liabilities:	
(Increase) in accrued receivables	(2,408)
(Increase) in grants receivable	(1,000)
Decrease in prepaid expenses	40
Decrease in deposits	5,250
Increase in accounts payable and accrued expenses (See Note 10)	38,988
Increase in taxes payable	71,286
Increase in interest payable	42,912
(Decrease) in refundable deposits	(12,107)
Net Cash (Used in) Operating Activities	(5,009)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Disposals of fixed assets	2,687
Net Cash Provided By Investing Activities	2,687
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowing under notes payable	16,500
Payments of notes payable	(1,076)
Payments of capital lease	(4,450)
Net Cash Provided by Financing Activities	10,974
Net Increase in Cash and Cash Equivalents	8,652
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,177
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,829
SUPPLEMENTAL DISCLOSURES	
Interest paid	$ 47,835

These financial statements should be read only in connection with the accompanying notes to the financial statements.

ALLSPORT ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services	General and Administrative	Total
Advertising	$ 2,743	$ 305	$ 3,048
Communications	8,281	920	9,201
Computer expense	2,146	239	2,385
Contract services	15,480	1,720	17,200
Dues and subscriptions	1,973	219	2,192
Field trips	1,282	-	1,282
Food	24,066	-	24,066
Insurance	5,754	639	6,393
Interest	47,835	-	47,835
Office expense	1,887	210	2,097
Other program cost	8,389		8,389
Payroll expense	241,434	60,358	301,792
Payroll taxes	19,875	4,969	24,844
Penalties and fines	17,404	1,934	19,338
Professional development	3,230	-	3,230
Professional fees	9,900	1,100	11,000
Rent	86,434	9,604	96,038
Repairs and maintenance	13,283	1,476	14,759
Student transport	13,657	1,518	15,175
Supplies	12,027	-	12,027
Utilities	11,620	1,291	12,911
Total Expenses before Depreciation	548,700	86,502	635,202
Depreciation	4,559	868	5,427
Total Functional Expenses	$ 553,259	$ 87,370	$ 640,629

These financial statements should be read only in connection with the accompanying notes to the financial statements.

NOTE 1 – NATURE OF OPERATIONS

Allsport Academy (the School) is a nonprofit organization located in Tucson, Arizona, incorporated pursuant to the laws of the State of Arizona on March 16, 2000 with the purpose of creating a teaching environment in the community where bilingual, bicultural, multidimensional liberating education in science, mathematics, technology, art, and literature can be achieved. As the charter operator, the School provides educational services according to the educational standards established by law and the charter contract. The School measures the pupils' progress toward outcomes adopted and specified by the Arizona State Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF PRESENTATION

The School reports under the accrual method of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

Temporarily Restricted Net Assets: Temporarily restricted net assets includes contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted Net Assets: Permanently restricted net assets includes contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The School had no temporarily or permanently restricted net assets at June 30, 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

The School considers all unrestricted liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost if purchased, or if donated, at the estimated fair market values at dates of receipt. Depreciation is calculated using the straight-line method. The estimated useful lives of these assets are 5 years for vehicles and furniture and equipment. Buildings and improvements have useful lives between 5 to 6 years.

REVENUE RECOGNITION

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Federal and other government grant awards are classified as contract advances until expended for the purposes of the grants, if they are conditional promises to give.

DONATED SERVICES

It is the policy of the School to record on its financial statements the fair market value of donations of personal professional services that require specialized skills as of the date services are rendered.

FUNCTIONAL EXPENSES

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities. Depreciation expense was allocated based upon percentage of other program and supporting service expenses incurred to total expenses.

INCOME TAXES

The School filed for exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and is pending approval. The School is not a private foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the School evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on November 9, 2011.

NOTE 3 – PROPERTY AND EQUIPMENT

The details of property and equipment are as follows at June 30, 2011:

Vehicles	$ 44,000
Equipment, furniture and fixtures	16,777
Leasehold improvements	13,048
Total property and equipment	73,825
Less: accumulated depreciation	(60,660)
Net property and equipment	$ 13,165

Depreciation expense was $ 5,427 for the year ended June 30, 2011.

NOTE 4 – DEBT

The School's debt at June 30, 2011 is as follows:

Demand notes payable	Principal	Accrued interest
Uncollateralized note payable to two board members with no interest accruing and principle due and on demand.	$ 32,780	$ -0-
Uncollateralized note payable to a board member, 6% interest. All accrued interest and principal were due on July 1, 2010.	30,000	1,800
Note payable to acquisition note holder, 8% interest. All accrued interest and principal were due on January 1, 2009. Collateralized by substantially all of the assets of the School and a personal guarantee of two of the School's board members.	176,400	49,344
Total	$ 239,180	$ 51,144

These notes are an integral part of the financial statements.

NOTE 4 – DEBT (CONTINUED)

Notes payable	Principal	Accrued interest
Uncollateralized note payable, 10.5% interest, minimum monthly payments of $ 500, all accrued interest and principle due on February 1, 2014.	$ 15,424	$ -0-
Uncollateralized note payable to a board member, 14.7% interest accrues and is payable monthly. All accrued interest and principal due on July 1, 2012.	186,300	36,799
Subtotal	199,024	36,799
Less current portion	(4,598)	(36,799)
Total	$ 194,426	$ -0-

The future maturities of the notes payable are as follows:

Year ending June 30:	2012	$ 4,598
	2013	188,704
	2014	5,722
		$ 199,024

NOTE 5 – OBLIGATIONS UNDER CAPITAL LEASES

The School leases a copier under a capital lease. The economic substance of the lease is that the School is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the School's assets and liabilities. Amortization of the capital lease is included in the depreciation expense. The lease requires monthly payments of $ 255 and matures on September 1, 2013

The following is a schedule by years of future minimum payments required under the capital lease together with their present values as of June 30, 2011.

Year ending June 30:	2012	$ 3,060
	2013	3,060
	2014	765
Total minimum lease payments		6,885
Less amount representing interest		(1,389)
Present value of minimum lease payments		$ 5,496

NOTE 6 – LEASE COMMITMENTS

The School commenced a lease for its main facilities on September 15, 2008. The lease term is seven years, beginning on September 15, 2008, with an initial lease rate of $ 4,456 per month and increasing 5% per year annually on the anniversary date. The School also leases other equipment on a month-to-month basis. Total rent expense for the year ending June 30, 2011 was $ 96,038.

The following is a schedule of future minimum lease payments required under the facility lease:

Year ending June 30:	2012	$ 58,257
	2013	61,169
	2014	64,228
	2015	67,439
	2016	17,063
		$ 268,156

NOTE 7 – RELATED PARTY TRANSACTIONS

Included in the School's debt (See Note 4) at June 30, 2011 is $ 62,780 payable to board members for demand notes payable, and $183,600 for long-term notes payable to board members. The combined total of interest payable to board members from demand notes payable and notes payable is $ 38,599 at June 30, 2011. Additionally, $ 158,786 of accrued payroll is due to two managing board members.

NOTE 8 – CONCENTRATIONS

The School maintains a cash balance in one financial institution in Tucson, Arizona. Cash balances at this institution are insured up to $ 250,000 by the FDIC. For the year ended June 30, 2011, the School did not have any uninsured cash balances.

The School participates in federal and state assisted grant and contract programs, and a significant reduction in the level of this support, if it were to occur, would have a material effect on its programs and activities. The School's compliance with certain laws and regulations is subject to audits by its Sponsor and the State of Arizona, Office of the Auditor General, and the Arizona Department of Education. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

NOTE 9 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. The School has incurred recurring losses from operations and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern.

Management's plans regarding these matters include:

- Increasing the student count by advertising. The increased student count will result in additional State funding.
- Decreasing costs and expenses wherever possible.
- Renegotiating terms on notes payable currently in default.
- Using its not-for-profit status to secure federal grant monies.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

The School's accounts payable at June 30, 2010 were overstated by $ 32,174 resulting in an understatement of net assets by $ 32,174. These misstatements were identified and corrected during the year ended June 30, 2011.

ALLSPORT ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Findings – Internal Control over Financial Reporting

#2010-1 Significant deficiency – Preparation of financial statements in accordance with Generally Accepted Accounting Principals

Condition: The School does not have adequate procedures in place to ensure that liabilities and net asset balances in the general ledger are recorded in accordance with generally accepted accounting principles (GAAP).

Criteria: Internal control over the recording of transactions should include a review to ensure that generally accepted accounting principles are correctly applied.

Current Status: We did not note this condition in the current audit.

ALLSPORT ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Allsport Academy (the School).

2. Four control deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters. These conditions are reported as significant deficiencies, and are not reported as material weaknesses.

3. No instances on noncompliance material to the financial statements of the Academy, that would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. Nine reportable conditions were disclosed during the audit of Legal compliance and are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

ALLSPORT ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Findings – Internal Control over Financial Reporting

#2011-1 Significant deficiency – Preparation of financial statements in accordance with Generally Accepted Accounting Principals

Condition: We noted that the School does not prepare interim financial statements that are complete, including note disclosures in conformity with U.S. generally accepted accounting principles (GAAP). This finding is mitigated by the fact that management and the board of directors are informed of matters that normally would be disclosed in footnotes when the internally generated financials are presented.

Criteria: This is a requirement for an entity's system of internal controls to be complete.

Effect: As a result of this condition, there is a higher risk that errors, misstatements and misappropriations could occur and not be detected within a timely period.

Recommendation: Due to the size of the School, it would not be cost effective to generate a complete set of financial statements including note disclosures in conformity with U.S. GAAP. We recommend that, as a cost saving measure, the School continue to rely on its outside accountants and its auditors to assist in the preparation of the required financial statements, including all note disclosures, in accordance with U.S. GAAP. In addition, management and the board of directors should continue to exercise diligence in keeping informed of all matters.

Management's Response and Corrective Action Plan: The School will continue to rely on its outside accountants and auditors to assist in the preparation of required financial statements, in accordance with U.S. GAAP.

Findings – Internal Control over Financial Reporting (Continued)

#2011-2 Significant deficiency – Segregation of duties

Condition: Due to the limited number of personnel performing accounting functions, the School does not have adequate segregation of duties over accounting transactions. The School has instituted alternative procedures involving diligence and oversight by the board of directors that mitigate the affects of this finding. Auditor believes that these mitigating procedures are the maximum that an organization this size can perform.

Criteria: Internal controls should be in place to provide that there is adequate segregation of duties.

Effect: As a result of this condition, there is a higher risk that errors, misstatements and misappropriations could occur and not be detected within a timely period.

Recommendation: We recommend management's and the board of director's close supervision and review of accounting information as the best means of preventing or detecting errors and irregularities.

Management's Response and Corrective Action Plan: The Board of Directors will maintain close supervision and review of accounting information to prevent and detect errors and irregularities.

#2011-3 Significant deficiency – Review of Deposits

Condition: It was noted that deposits are not reviewed for accuracy by an individual not involved in the cash handling function.

Criteria: This is a requirement for the entity's system of internal controls to be complete.

Effect: As a result of this condition, there is a higher risk that errors, misstatements and misappropriations could occur and not be detected within a timely period.

Recommendation: We recommend that deposits are reviewed for accuracy by an individual not involved in the cash handling function and that such review is evidenced by a signature or initials of the reviewer on the deposit detail.

Management's Response and Corrective Action Plan: Deposits will be made with an additional review by another individual, not involved in the cash handling function, which will be evidenced by initials on deposit detail.

Findings – Internal Control over Financial Reporting (Continued)

#2011-4 Significant deficiency – Monitoring over cash

Condition: Whereas such a review may be performed, it was noted that there was no indication of review of bank reconciliations, bank statements, or check images by a person in authority.

Criteria: This is a requirement for the entity's system of internal controls to be complete.

Effect: As a result of this condition, there is a higher risk that errors, misstatements and misappropriations could occur and not be detected within a timely period.

Recommendation: We recommend that a person in authority review bank reconciliations, bank statements, and check images on a monthly basis, and indicate such review with initials or a signature and the date of review on the reviewed documents.

Management's Response and Corrective Action Plan: The School policies have been amended regarding review of bank reconciliations and bank statements to include the signature of a responsible party verifying review process.

Findings – Legal Compliance

#2011-5 Payroll taxes

Condition: It was noted that the School has not paid all federal payroll taxes that were incurred in the current year and also owes taxes incurred in prior years back to 2006. However, as of the date of field work, the School is in compliance with payment plan approved by the Internal Revenue Service (IRS) for these unpaid payroll tax liabilities.

Criteria: U.S.C. Title 26.

Effect: The School is not in compliance.

Recommendation: We recommend that the School pays all payroll taxes as they become due, and continue to make scheduled payments in accordance with the payment plan approved by the IRS.

Management's Response and Corrective Action Plan: The School has been in continual communication with the IRS and is working diligently to liquidate the debt.

Findings – Legal Compliance (Continued)

#2011-6 Absences

Condition: It was noted that 4 of 5 sampled attendance records for junior high school students were not calculated correctly in the School's computerized attendance system, resulting in a net overstatement of 0.25 absences.

Criteria: ARS § 15-901(A)(6)(b)(i).

Effect: The School is not in compliance.

Recommendation: We recommend calibrating the School's computerized attendance system to correctly calculate absences.

Management's Response and Corrective Action Plan: We have contacted our School's student management provider, (Schoolmaster) and have corrected this problem.

#2011-7 Excessive absence withdrawals

Condition: It was noted that in 1 of 1 eligible case, a student withdrawn for excessive absences was not counted in membership only through the last day of attendance.

Criteria: ARS § 15-901(A)(2).

Effect: The School is not in compliance.

Recommendation: We recommend diligence in counting in membership students withdrawn for excessive absences only through the last day of attendance.

Management's Response and Corrective Action Plan: We have hired additional clerical staff to lend greater support and oversight to our attendance, financial, and general office procedures.

Findings – Legal Compliance (Continued)

#2011-8 Enrollment

Condition: It was noted in 1 of 5 enrollment entries tested, the following errors occurred:

- The entry date on the enrollment form did not agree to the computerized attendance system.
- The entry date was not supported by teacher's attendance registers.
- Membership did not begin with the actual first day of attendance per the attendance register.

Criteria: ADE's School Finance Procedures Manual.

Effect: The School is not in compliance.

Recommendation: We recommend diligence in agreeing the computerized attendance records to the supporting teacher's attendance registers and enrollment forms.

Management's Response and Corrective Action Plan: We have hired additional clerical staff to lend greater support and oversight to our attendance, financial, and general office procedures.

#2011-9 Withdrawals

Condition: It was noted that 6 of 6 Official Notices of Pupil Withdrawal tested had no indication of the date entered in the computerized attendance system.

Criteria: Legal compliance.

Effect: The School is not in compliance.

Recommendation: We recommend diligence in completing the Official Notice of Pupil Withdrawal Forms accurately and completely.

Management's Response and Corrective Action Plan: This was an oversight due to our lack of understanding in the withdrawal procedure. We have reviewed the policy and have provided additional/corrective training to assure proper implementation of this procedure.

Findings – Legal Compliance (Continued)

#2011-10 Withdrawals

Condition: It was noted that 2 of 6 withdrawals tested did not have teachers' attendance registers that agreed to the exit date in the system.

Criteria: Legal compliance.

Effect: The School is not in compliance.

Recommendation: We recommend diligence in agreeing the computerized attendance records to the supporting teacher's attendance registers and withdrawal forms.

Management's Response and Corrective Action Plan: We have implemented a more rigorous and uniform first/last-day coding procedure and have, accordingly, trained teachers and staff on the proper use of this procedure. The hiring of additional staff specifically assigned to this task will also help reduce the incidence of error.

#2011-11 Attendance submissions

Condition: It was noted that there was one incidence of submission of the School's membership/absence information to ADE which was 3 days greater than 20 school days after the previous submission.

Criteria: ARS § 15-1042(H).

Effect: The School is not in compliance.

Recommendation: We recommend diligence in submitting timely membership/absence information to ADE.

Management's Response and Corrective Action Plan: We have implemented an alarm procedure on our computer system calendar to alert administration of pending updates and ensure that uploads are effected on a timely basis.

Findings – Legal Compliance (Continued)

#2011-12 Open meeting law

Condition: It was noted that the School's website does not indicate where all public notices of meetings will be posted, and during the fiscal year, 10 of 11 public meeting notices was not posted on the School's website.

Criteria: ARS § 38-431.01 and § 38-431.02.

Effect: The School is not in compliance.

Recommendation: We recommend diligence in posting all public meeting notices on the Schools' website, including information on the date and time posted.

Management's Response and Corrective Action Plan: Our web-site was not equipped to post notices until June of 2011. Prior to that time all notices were only posted at the school site. Since June of 2011, we have begun using the website to announce board meeting. All future notices will be posted to our website as well as at the school site.

#2011-13 Insurance

Condition: It was noted that as of the date of field work, the entity had no in force general liability insurance, professional liability insurance, directors and officers insurance, or personal property insurance.

Criteria: Arizona Revised Statutes (ARS) § 15-183(M).

Effect: The School is not incompliance.

Recommendation: We recommend the School obtain adequate insurance coverage for liability and property loss.

Management's Response and Corrective Action Plan: All insurances policies are now in force.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Allsport Academy
Tucson, AZ

We have audited the financial statements of Allsport Academy (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S.) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items #2011-1, #2011-2, #2011-3 and #2011-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining, reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Governments Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2011-5, #2011-6, #2011-7, #2011-8, #2011-9, #2011-10, #2011-11, #2011-12, and #2011-13.

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

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yunk & Guthrie CPAs, PLLC

Tucson, AZ
November 9, 2011