CORNERSTONE ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost · Auditor of State

CORNERSTONE ACADEMY
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Cornerstone Academy
Franklin County
6025 E. Walnut Street
Westerville, Ohio 43081

To the Board of Directors:

We have audited the accompanying financial statements of Cornerstone Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cornerstone Academy, Franklin County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows**,** for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note18 to the financial statements, the Academy's deficit net assets ($2,187,909) and operating loss ($604,863) raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

November 22, 2011

The discussion and analysis of the Cornerstone Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its third year of operations since emerging from a temporary voluntary suspension of operations during fiscal year 2008 serving Kindergarten through eighth grade. The Academy suspended operations during the period October 1, 2006 through June 30, 2007 and resumed operations July 1, 2007. Enrollment varied during fiscal year 2011 but averaged 392 students.

As of fiscal year ended June 30, 2011:

- Net Assets decreased $196,106.
- Operating Revenues accounted for $2,442,288 of the Academy's total funding of $2,984,172.
- The Academy had an operating loss of $604,863 of which $541,884 was funded by non-operating federal grants. The Academy was able to utilize the federal grant allocations for fiscal year 2011.

Overview of the Financial Statements

The financial report consists of three parts - management discussion and analysis, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Financial Analysis of the Academy as a Whole

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

The following table represents the Academy's statement of net assets:

Table 1
Net Assets

	June 30, 2011	June 30, 2010	Change
Assets:			
Current Assets	$48,661	$158,790	($110,129)
Capital Assets	129,060	175,473	(46,413)
Total Assets	177,721	334,263	(156,542)
Liabilities:			
Current Liabilities	1,072,187	1,002,069	70,118
Noncurrent Liabilities	1,293,443	1,323,997	(30,554)
Total Liabilities	2,365,630	2,326,066	39,564
Net Assets:			
Invested in Capital Assets, Net of Related Debt	43,939	62,468	(18,529)
Restricted for Other Purposes	1,167	92	1,075
Unrestricted	(2,233,015)	(2,054,363)	(178,652)
Total Net Assets	($2,187,909)	($1,991,803)	($196,106)

Results of fiscal year 2011 indicate an ending net asset deficit of $2,187,909, a decrease of $196,106 from fiscal year end 2010. While the number of enrolled students dramatically increased, there was a significant concentration of kindergarten students that were recruited with the intent of building enrollment as the students grow. The problem is that the funding for about two-third of those kindergarten students was at half the regular funding rate because the students come from a district that only provides half day kindergarten instruction. As those students move out of kindergarten to a fully funded full time equivalence, there will be significantly higher revenues with which to work. Enrollment for 2011 averaged 392 students, much closer to the capacity of the Academy's facility (approximately 475) than in previous years. As enrollment nears capacity of the facility, the Academy will generate annual surpluses to recover from prior net asset deficits. The Academy was able to make significant progress towards reducing the decrease in net assets from prior year levels due to the growth in 1st grade and higher enrollment.

Changes in Net Assets – The following table shows the changes in net assets for the following fiscal periods:

Table 2
Change in Net Assets

	Year ended June 30, 2011	Year ended June 30, 2010	Change
Operating Revenues:			
Foundation	$2,298,062	$1,592,657	$705,405
Charges for Services	127,534	86,086	41,448
Miscellaneous	16,692	8,856	7,836
Non-Operating Revenues:			
Federal/State Restricted Grants	541,884	424,312	117,572
Total Revenues	$2,984,172	$2,111,911	$872,261
Operating Expenses:			
Building	676,333	691,501	(15,168)
Purchased Services	2,191,349	1,739,143	452,206
Depreciation	46,413	47,262	(849)
General Supplies	111,789	143,899	(32,110)
Other Operating Expense	21,267	22,911	(1,644)
Non-Operating Expenses:			
Interest	133,127	119,217	13,910
Total Expenses	$3,180,278	$2,763,933	$416,345
Total Increase (Decrease) in Net Assets	($196,106)	($652,022)	$455,916

At the onset of planning for the opening of the Academy, management and the board carefully calculated the costs and risks associated with offering a high quality educational program that would be competitive with the educational programs available at the traditional public schools and weighed those costs and risks against the enhanced educational opportunities that would be available to students. Based on that analysis, the board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to generate large economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs came from delaying payment on invoices from the Academy's management company for certain management services, other operating expenses and invoices for payroll of Academy staff.

Management expects enrollment to continue to grow at a significant pace as the Academy's large lower elementary students advance to fill spaces vacated by students that have graduated from 8^{th} grade. By having high retention rates and filling kindergarten sections each year, the Academy should be able to grow to capacity without having to recruit additional students for its additional grade levels. Management's goal is to operate at or near full enrollment capacity which will enable the Academy to achieve surpluses and eventually eliminate the current net asset deficit.

Budgeting

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the Academy had $129,060 (net of accumulated depreciation) invested in capital assets. The following table summarizes Capital Asset activity for the fiscal year ended June 30, 2011:

	June 30, 2011	June 30, 2010	Increase (Decrease)
Leasehold Improvements	$34,783	$34,783	$0
Less: Accumulated Amortization	(9,275)	(4,637)	(4,638)
	$25,508	$30,146	($4,638)
Computers	$97,388	$97,388	$0
Less: Accumulated Depreciation	(92,290)	(78,172)	(14,118)
Net Capital Assets:	5,098	19,216	(14,118)
Furniture and Fixtures	170,779	170,779	0
Less: Accumulated Depreciation	(72,325)	(44,668)	(27,657)
Net Capital Assets:	98,454	126,111	(27,657)
Net Capital Assets	$129,060	$175,473	($46,413)

For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At the June 30, 2011, the Academy had $85,121 of capital lease obligations for technology and furniture and fixtures outstanding. Of that amount $30,554 is due within one year. In addition, the Academy executed a $1,238,877 promissory note in 2010 payable to Mosaica Education, Inc., a related party (see note 16), to finance outstanding invoices for services and/or reimbursable expenses over a multi-year term at a fixed rate of interest. No principal is due within one year. The following table summarizes the Academy's debt activity for the fiscal year ended June 30, 2011:

	Balance at June 30, 2010	New Borrowings	Principal Payments	Balance at June 30, 2011
Capital leases payable	$113,005	$0	$27,885	$85,120
Promissory note payable	1,238,877	0	0	1,238,877
Total debt payable	$1,351,882	$0	$27,885	$1,323,997

For further information regarding the Academy's debt, refer to Note 14 to the basic financial statements.

Economic Factors

With the exception of a change in State law that, effective in September 2011, local taxing authorities can no longer assess real estate taxes against community schools that lease facilities from for-profit landlords, management is not currently aware of any facts, decision or condition that has occurred that are expected to have a significant effect on the financial position or results of operation. This tax law change is expected to save the Academy in excess of $100,000 on an annual basis going forward. The tax law change is not retroactive, but the past liability for assessed property taxes has already been reflected in these and the previously issued audited financial statements of the Academy.

Operations

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through sixth grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

During 2010-11 and subsequent to year end, the Academy has pursued and made significant progress towards a conduit bond financing through The Columbus/Franklin County Finance Authority that will allow the Academy to purchase its facility, expand its maximum capacity from 500 to 750 student and retire a significant portion of its existing debt. The proposed transaction would include two series of bonds, a $1.8 million taxable issue and a $9.4 million non-taxable issue that would be used to complete the project, fund the required reserves and fund the transaction closing costs. The Columbus/Franklin County Finance Authority approved the transaction on November 22, 2011.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact the Treasurer for Cornerstone Academy, 3333 Chippewa Street, Columbus, Ohio 43204.

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CORNERSTONE ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 6,582
Intergovernmental Receivable	32,996
Prepaid Expense	9,083
Total current assets	48,661
Noncurrent assets:	
Capital Assets, net of Accumulated Depreciation	129,060
Total assets	177,721
Liabilities:	
Current Liabilities:	
Accounts Payable, Trade	68,407
Accounts Payable, Related Party	969,951
Accrued Interest	686
Accrued Expenses	2,589
Current Portion of Long-term Debt	30,554
Total current liabilities	1,072,187
Noncurrent liabilities:	
Non Current Portion of Long-term Debt	1,293,443
Total liabilities	2,365,630
Net Assets	
Invested in Capital Assets, Net of Related Debt	43,939
Restricted Net Assets	1,167
Unrestricted Net Assets	(2,233,015)
Total Net Assets	$ (2,187,909)

See Accompanying Notes to the Basic Financial Statements

CORNERSTONE ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenues:	
Community School Foundation	$ 2,298,062
Charges for Services	127,534
Miscellaneous	16,692
Total Operating Revenues	2,442,288
Operating Expenses:	
Building	676,333
Purchased Services	2,191,349
Depreciation	46,413
General Supplies	111,789
Other Operating Expenses	21,267
Total Operating Expenses	3,047,151
Operating Loss	(604,863)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	541,884
Interest Expense	(133,127)
Total Nonoperating Revenues and Expenses	408,757
Change in Net Assets	(196,106)
Net Assets (Deficit) Beginning of Year	(1,991,803)
Net Assets (Deficit) End of Year	$ (2,187,909)

See Accompanying Notes to the Basic Financial Statements

CORNERSTONE ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 2,300,651
Charges for Services	127,534
Miscellaneous	19,530
Cash Payments to Suppliers for Goods and Services	(2,999,160)
Net Cash Used For Operating Activities	(551,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Short-term Financing Payments	(23,456)
Federal and State Grant Receipts	640,799
Net Cash Provided by Noncapital Financing Activities	617,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note Payable Interest Payments	(40,000)
Capital Lease Interest Payments	(9,636)
Capital Lease Principal Retirement	(27,885)
Net Cash Used for Capital and Related Financing Activities	(77,521)
Net Decrease in Cash and Cash Equivalents	(11,623)
Cash and Cash Equivalents - Beginning of the Year	18,205
Cash and Cash Equivalents - Ending of the Year	6,582
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(604,863)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	46,413
Changes in assets and liabilities:	
Decrease in Receivables	2,838
Increase in Prepaid Expense	(3,247)
Increase in Accounts Payable, Trade	(92,577)
Increase in Accounts Payable, Related Party	97,402
Increase in Deferred Revenue	2,589
Net Cash Used for Operating Activities	$ (551,445)

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School

The Cornerstone Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314. The Academy offers education for Ohio children in kindergarten and Grade 1 through Grade 8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Ohio State Board of Education commencing on July 1, 2000. The Academy began the 2005-06 fiscal year under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2010. In June of 2010, the Sponsor renewed the charter contract for five academic years ending June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an academy for the Governing Board. The Board is responsible for carry out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Academy’s Governing Board also serves as the Board of the Columbus Humanities Arts and Technology Academy.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 16.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy, but it does require that estimated budgets be submitted to the Sponsor prior to the start of each fiscal year.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the period ended June 30, 2011.

F. Capital Assets

The Academy's capital assets during the year ended June 30, 2011 consisted of computers, furniture, leasehold improvements, and other equipment. All capital assets are capitalized at 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 Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. The costs 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

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

Description	Useful Lives
Furniture, Fixtures, and Equipment	5-20 years
Leasehold Improvements	15 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2011, the Academy reported $1,167 of restricted net assets that was a result of unspent grant receipts and $43,939 of net assets invested in capital assets net of related debt.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

I. 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 those estimates.

J. Economic Dependency

The Academy receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Note 3 – Changes in Accounting Principles

There were no changes in accounting principles implemented during 2011 that would have a material effect on the financial statements.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the carrying value of the Academy's deposits totaled $6,582 and the bank balance totaled $20,007. The bank balance was covered by federal depository insurance. The Academy has no investments at year end.

Note 5 – Receivables

At June 30, 2011, the Academy had intergovernmental receivables in the amount of $32,996. The receivables are expected to be collected within one year.

Grant	Amount
Title I	$26,866
Title III	4,900
Child Nutrition Program	1230
Total Intergovernmental Receivable	$32,996

Note 6 - Capital Assets

Capital asset activity for the period July 1, 2010 to June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Depreciable Capital Assets				
Leasehold Improvements	$34,783	$0	$0	$34,783
Computer Technology	97,388	0	0	97,388
Furniture & Equipment	170,779	0	0	170,779
Total at Historical Cost	302,950	0	0	302,950
Less: Accumulated Depreciation				
Leasehold Improvements	(4,637)	(4,638)	0	(9,275)
Computer Technology	(78,172)	(14,118)	0	(92,290)
Furniture & Equipments	(44,668)	(27,657)	0	(72,325)
Capital Assets, Net	$175,473	($46,413)	$0	$129,060

Note 7 - Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy contracted with Brown & Brown of Marmora through The Hartford for property and general liability insurance. The policy calls for general liability coverage of $1,000,000 single occurrence limit and $2,000,000 aggregate. The Academy also carried excess/umbrella liability coverage of $5,000,000.

B. Workers' Compensation

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

C. Other Employee Benefits

The Academy provides life insurance and accidental death and dismemberment, medical/surgical, dental and vision insurance to most employees through School Employees' Health and Welfare Benefits Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board.

Note 8 – Purchased Services

For fiscal year ended June 30, 2011, purchased service expenses were for the following services:

Purchased Services	June 30, 2011
Personnel Services	$1,397,917
Building Services	118,439
Food Services	103,998
Student Services	74,504
Instructional and Administrative Services	399,046
Professional Services	15,992
Sponsor Services	77,322
Advertising	4,131
	$2,191,349

Note 9 - Defined Benefit Pension Plans

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $31,680, $27,018, and $13,918 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

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

Note 9 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were $114,573, $85,366, and $52,871 respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were made by the School.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, none of the members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

<u>Note 10 - Postemployment Benefits</u> (Continued)

A. School Employee Retirement System (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 2.19 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $3,236, $1,060, and $6,351 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,720, $1,612, and $1,003 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $8,184, $6,567, and $4,067 respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 11 - Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review resulted in state funding being adjusted due to an overpayment in the amount of $2,589 by ODE. The overfunded amount has been recorded as a decrease in revenue and deferred revenue at June 30, 2011.

Note 12 – Capital Lease-Lessee Disclosure

The Academy entered into several lease agreements between fiscal years 2006 and 2010 for the purchase of technology (computers), furniture and equipment for an original cost of $195,256. In addition, in fiscal year 2009, the Academy entered into a lease agreement for the purchase of security, cabling, paging and telephone systems for an original cost of $72,914. The Academy's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases". The equipment has been capitalized in the amount of $268,169, the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments are as follows for June 30, 2011:

Year Ending June 30,	Technology
2012	$37,524
2013	$32,743
2014	$23,896
2015	$3,757
Total future minimum lease payments	97,920
Less: amount representing interest	(12,800)
Present value of future minimum lease payments	$85,120

Note 12 – Capital Lease-Lessee Disclosure (Continued)

A liability for capital lease obligations in the amount of $85,120 is reported on the Statement of Net Assets for year ended June 30, 2011. Of this amount, $30,554 is a current liability due within one year. The following table summarizes the capital lease activity for the year ended June 30, 2011:

Capital Lease balance at July 1, 2010	$113,005
Additions	0
Payments	(27,885)
Capital Lease balance at June 30, 2011	$85,120

Note 13 – Building Lease

In September 2008, the Academy entered into a lease agreement with Mosaica Columbus LLC, an affiliated company of Mosaica Education, Inc. for the use of a school facility located at 6025 East Walnut Street, Westerville, OH. During fiscal year 2009, the facility was under construction and was not available for use. As such, rental payments were not incurred during fiscal 2009 but commenced July 2009, the building construction completion date. The building is on 5.0 acres of land and is approximately 40,000 square feet. The lease term is fifteen years through June 2024. Lease payments are $46,750 per month with inflation escalations each succeeding year beginning in July 2011. Excluding annual inflation rent adjustments, the following summarizes the lease commitment for the Academy:

Fiscal Year End June 30,	Annual Rent
2012	$ 550,000
2013	550,000
2014	550,000
2015	550,000
2016	550,000
2017-2021	2,750,000
2022-2024	1,650,000
Total Lease Commitment	$7,150,000

Note 14 – Long-Term Obligations

Changes in the Academy's long-term obligations during fiscal year 2011 were as follows:

	Balance at June 30, 2010	New Borrowings	Principal Payments	Balance at June 30, 2011	Amount Due Within One Year
Capital leases payable	$113,005	$0	$27,885	$85,120	$30,554
Promissory note payable	1,238,877	0	0	1,238,877	0
Total debt payable	$1,351,882	$0	$27,885	$1,323,997	$30,554

In 2010, the Academy executed a $1,238,877 promissory note payable to Mosaica Education, Inc., a related party (see note 16), to finance outstanding invoices for services and/or reimbursable expenses over a multi-year term at a fixed rate of interest. Quarterly installments for interest are due beginning September 15, 2010 and continue through maturity on March 15, 2019. No principal payments were due during the fiscal year. The following is a schedule of remaining debt service on these obligations:

Fiscal year ending	Installments
June 30, 2012	$80,000
June 30, 2013	140,000
June 30, 2014	180,000
June 30, 2015	220,000
June 30, 2016	260,000
June 30, 2017 thru June 30, 2019	1,059,876
Total Payments	1,939,876
Principal	(1,238,877)
Interest	$700,999

Note 15 –Tax Exempt Status

The Academy is tax-exempt status under 501(c) 3 of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

Note 16 – Related Party Transactions/Management Company

The Academy contracts with Mosaica Education, Inc. for a variety of services including management of personnel and human resources, board relations, financial management, marketing, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statement and budget preparation and accounts payable and payroll preparation.

Per the management agreement with the Academy, Mosaica Education is entitled to a management fee that is equivalent to 12.5% of the Academy's revenues. The management fee for the period ending June 30, 2011 was $370,323.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries of Mosaica Education, Inc. employees working at the Academy, and other costs related to providing educational and administrative services. The total expenses paid to Mosaica Education Inc. during fiscal year 2011 were $2,025,193.

At June 30, 2011, the Academy had payables to Mosaica Education in the amount of $969,951.

The following is a schedule of all payables related to Mosaica Education, Inc. as of the fiscal year ended June 30, 2011:

	June 30, 2011
Payroll	$651,649
Management Fee	93,543
Facility Rent	93,500
Real Estate Taxes	115,333
Expense Reimbursements	5,008
Interest/Finance Charges	10,918
Total	$969,951

Some Board members for the Academy are also Board members for the Columbus Humanities Arts and Technology Academy managed by Mosaica Education.

Note 17 – Sponsor

The Academy was approved for operation under a contract renewal with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 1, 2010. As part of this contract, the Sponsor is entitled to a maximum of 3% of the all funds received by the Academy from the state. Total amount due and paid for year ended June 30, 2011 was $77,322.

Note 18– Management's Plan

At June 30, 2011, the Academy had a net asset deficit of $2,187,909 and an operating loss of $604,863. As further discussed in Note 14, a significant portion of that net asset deficit is being funded by the notes and accounts payable of $1,238,877 and $969,951, respectively, to Mosaica Education. As of October 31, 2011 the Academy's change in net assets was $134,740 and net asset deficit was ($2,053,169).

The Academy, with financial backing from its management company, was able to relocate from modular structures to a permanent facility for opening in fall of 2009 and management believes that the Academy is in a strong position to grow enrollment to or near capacity in the near future as a result of having a facility designed for educating children, strong community reputation for academic achievement and active advertising via print, radio, mailings and parent referrals. In addition, recent changes in property tax legislation has removed the obligation of future real estate tax assessments by Franklin County payable by the Academy under its facility lease. This change is expected to result in annual savings in excess of $100,000 for the Academy. The enrollment trends towards growth combined with elimination of future real estate assessment is expected to allow the Academy to begin to generate annual surpluses that will, over time, allow a recovery from the existing cumulative deficits.

Note 19 – Subsequent Events

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During 2010-11 and subsequent to year end, the Academy has pursued and made significant progress towards a conduit bond financing through The Columbus/Franklin County Finance Authority that will allow the Academy to purchase its facility, expand its maximum capacity from 500 to 750 student and retire a significant portion of its existing debt. The proposed transaction would include two series of bonds, a $1.8 million taxable issue and a $9.4 million non-taxable issue that would be used to complete the project, fund the required reserves and fund the transaction closing costs. The taxable bonds would have a 9.5% rate and would have a final maturity in 2025 while the tax exempt bonds would have a 8.25% rate and would have a final maturity in 2042. If the project financing were to close, the school would have additional capacity of 250 students and annual debt service beginning in 2013 would average just over $1.03 million as compared to the promissory note (see Note 14) annual debt service ranging from $80,000 to $380,000 per year and current annual facility lease cost (see Note 13), including real estate taxes, of approximately $680,000. The Columbus/Franklin County Finance Authority approved the transaction on November 22, 2011.

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CORNERSTONE ACADEMY
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Revenue	Expenses
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	$ 23,623	$ 23,623
National School Lunch Program	10.555	77,818	77,818
Total U.S. Department of Agriculture		**101,441**	**101,441**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	135,225	135,225
ARRA - Title I Grants to Local Educational Agencies	84.389	45,089	45,089
Total Title I Cluster		180,314	180,314
Special Education Cluster			
Special Education Grants to States	84.027	33,571	33,571
ARRA - Special Education Grants to States	84.391	13,911	14,002
Total Special Education Cluster		47,482	47,573
Safe and Drug Free School and Communities State Grants	84.186	32	0
Title II D Educational Technology State Grants	84.318	887	80
Title IIA Improving Teacher Quality State Grants	84.367	5,309	4,949
ARRA - State Fiscal Stabilization Fund	84.394	195,923	195,923
Total U.S. Department of Education		**429,947**	**428,839**
Total		**$ 531,388**	**$ 530,280**

The accompanying notes are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Academy's Federal Award programs. The Schedule has been prepared on the full accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

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

Cornerstone Academy
Franklin County
6025 E. Walnut Street
Westerville, Ohio 43081

To the Board of Directors:

We have audited the financial statements of Cornerstone Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, St. Aloysius Orphanage, Federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

November 22, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Cornerstone Academy
Franklin County
6205 E. Walnut Street
Westerville, Ohio 43081

To the Board of Directors:

Compliance

We have audited the compliance of Cornerstone Academy, Franklin County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Cornerstone Academy's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, Cornerstone Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Directors, St. Aloysius Orphanage, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

November 22, 2011

CORNERSTONE ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**No**
(d)(1)(vii)	**Major Programs (list):**	84.010 - Title I Grants to Local Educational Agencies 84.389 - ARRA - Title I Grants to Local Educational Agencies 84.394 - ARRA - State Fiscal Stabilization Fund
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CORNERSTONE ACADEMY

FRANKLIN 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
DECEMBER 1, 2011

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