YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2010

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Youngstown Academy of Excellence
Mahoning County
1408 Rigby Street
Youngstown, Ohio 44506

To the Board of Directors:

We have audited the accompanying basic financial statements of the Youngstown Academy of Excellence, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2010, 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 opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youngstown Academy of Excellence, Mahoning County, Ohio, as of June 30, 2010, and the changes in financial position and 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 Note 17 to the financial statements, the Academy's has suffered recurring losses from operations ($1,239,866) and has a net asset deficiency ($1,034,848) that raise substantial doubt about its ability to continue as a going concern. Note 17 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 February 25, 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.

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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

February 25, 2011

The discussion and analysis of the Youngstown Academy of Excellence (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance. The first year of the Academy's operations was 2006.

Financial Highlights

- Net assets decreased $400,493.
- Operating expenses accounted for $2,601,893 of the total expenses of $2,625,824.
- Operating revenues accounted for $1,362,027 of the Academy's total funding of $2,225,331.
- The Academy had an operating loss of $1,239,865 and $863,304 of the operating loss was alleviated by non-operating federal grants. The Academy was able to utilize all of the federal grant allocations for fiscal year 2010.

Overview of the Financial Statements

The financial report consists of three parts – management's 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 resources 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 presents 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 governmental-wide financial statements is included in the discussion and analysis.

The following tables represent a summary the Academy's condensed financial information for 2010 derived from the statement of net assets and the statement of revenues, expenses and changes in net assets.

Table 1 provides a summary of the Academy's nets assets for 2010 as compared to 2009:

Table 1
Net Assets

	2010	2009	Change
Assets:			
Current Assets	$ 178,331	$ 198,314	$ (19,983)
Capital Assets	121,996	114,498	7,498
Total Assets	300,327	312,812	(12,485)
Liabilities:			
Current Liabilities	1,173,097	947,167	(225,930)
Long-term Liabilities	162,078	-	(162,078)
Total Liabilities	1,335,175	947,167	(388,008)
Net Assets:			
Invested in Capital Assets	121,996	114,498	7,498
Unrestricted	(1,156,844)	(748,853)	(407,991)
Total Net Assets	$ (1,034,848)	$ (634,355)	$ (400,493)

Results of fiscal year 2010 indicate an ending net asset balance of ($1,034,848), a decrease of $400,493 over fiscal year 2009. The decrease is the result of below breakeven enrollment in the Academy's fourth year of operations. We anticipate that the Academy will have another decrease in net assets for fiscal year 2011, as a result of lower than anticipated enrollment. The goal is to grow enrollment to be closer to the capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Initial losses are typical for a new Academy which may not achieve positive net assets within the first several years of operations due to significant start-up costs.

Table 2 reflects the changes in net assets for the fiscal year 2010 as compared to 2009:

Table 2
Change in Net Assets

	2010	2009	Change
Operating Revenues:			
Community School Foundation	$ 1,333,317	$ 1,645,614	$ (312,297)
Miscellaneous	28,710	3,743	24,967
Non Operating Revenues:			
Federal and State Restricted Grants	863,304	484,954	378,350
Total Revenues	2,225,331	2,134,311	91,020
Operating Expenses:			
Building	309,644	303,573	6,071
Purchased Services	2,130,129	1,734,397	395,732
Depreciation	27,010	23,375	3,635
General Supplies	119,015	47,381	71,634
Other Operating Expenses	16,095	26,765	(10,670)
Non Operating Expenses:			
Interest Expense	23,931	71,310	(47,379)
Total Expenses	2,625,824	2,206,801	419,023
Change in Net Assets	(400,493)	(72,490)	(328,003)
Net Assets (Deficit) Beginning of Year	(634,355)	(561,865)	(72,490)
Net Assets (Deficit) End of Year	$ (1,034,848)	$ (634,355)	$ (400,493)

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 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 rent, management services, other operating expenses and invoices for payroll of Academy staff.

Budget

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions 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 the end of FY 2010, the Academy had $121,996 invested in capital assets (net of accumulated depreciation) for leasehold improvements, computers and other equipment, an increase of $7,498 or 6.55 percent. The following table shows fiscal year 2010 compared to 2009:

	2010	2009	Change
Furniture & Equipment	$56,208	$60,029	($3,821)
Computer Technology	27,219	33,708	(6,489)
Leasehold Improvements	38,569	20,761	17,808
Net Capital Assets	$121,996	$114,498	$7,498

The increase primarily represents the capital outlay for facility renovations net of depreciation expense for the year. There were no asset disposals during the year. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

In July 2009, the Academy executed a $300,000 promissory note to reimburse its management company for costs incurred during the organizational and development stage of the start-up of the Academy. The following table summarizes the Academy's debt outstanding as of June 30, 2010.

	2010	2009	Change
Start-Up Note	$233,545	$0	$233,545
Total	$233,545	$0	$233,545

For further information regarding the Academy's debt, refer to Note 13 to the basic financial statements.

Economic Factors

Management is not currently aware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on the financial position or results of operations.

Operations

Youngstown Academy of Excellence is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. 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.

Requests for Information

This financial report is designed to provide our 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 Brenda Neff, Treasurer for Youngstown Academy of Excellence, 3333 Chippewa Drive, Columbus, Ohio 43204.

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YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 1,936
Account Receivable	7,800
Intergovernmental Receivable	165,359
Prepaid Expense	3,236
Total current assets	178,331
Noncurrent assets:	
Capital Assets, net of Accumulated Depreciation	121,996
Total assets	$ 300,327
Liabilities:	
Current liabilities:	
Accounts Payable, Trade	$ 90,865
Accounts Payable, Related Party	948,363
Deferred Revenue	62,402
Current Portion of Long-term Debt	71,467
Total current liabilities	1,173,097
Noncurrent liabilities:	
Noncurrent Portion of Long-term Debt	162,078
Total noncurrent liabilities	162,078
Total liabilities	1,335,175
Net Assets	
Invested in Capital Assets	121,996
Unrestricted Net Assets	(1,156,844)
Total Net Assets	$(1,034,848)

See Accompanying Notes to the Basic Financial Statements

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NETS ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Community School Foundation	$ 1,333,317
Miscellaneous	28,710
Total Operating Revenues	1,362,027
Operating Expenses:	
Building	309,644
Purchased Services	2,130,129
Depreciation	27,010
General Supplies	119,015
Other Operating Expenses	16,095
Total Operating Expenses	2,601,893
Operating Loss	(1,239,866)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	863,304
Interest Expense	(23,931)
Net Nonoperating Revenues and Expenses	839,373
Change in Net Assets	(400,493)
Net Assets (Deficit) Beginning of Year	(634,355)
Net Assets (Deficit) End of Year	$(1,034,848)

See Accompanying Notes to the Basic Financial Statements

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 1,395,719
Other Operating Receipts	28,710
Cash Payments to Suppliers for Goods and Services	(2,175,388)
Net Cash Used for Operating Activities	(750,959)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Short-term Financing Payments	(800)
Federal and State Grant Receipts	826,323
Net Cash Provided by Noncapital Financing Activities	825,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Assets	(34,508)
Note Payable Interest Payments	(23,131)
Note Payable Principal Retirement	(66,455)
Net Cash Used for Capital and Related Financing Activities	(124,094)
Net Decrease in Cash and Cash Equivalents	(49,530)
Cash and Cash Equivalents - Beginning of the Year	51,466
Cash and Cash Equivalents - Ending of the Year	$ 1,936

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$(1,239,866)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	27,010
Changes in assets and liabilities:	
Decrease in Prepaid Expense	7,434
Increase in Accounts Payable, Trade	12,305
Increase in Accounts Payable, Related Party	79,756
Increase in Deferred Revenue	62,402
Increase in Note Payable	300,000
Net Cash Used for Operating Activities	$ (750,959)

NonCash Noncapital Financing Activity:

The Academy entered into a promissory note agreement with Mosaica Education, Inc. for $300,000 as part of the updated management agreement that the Academy would pay Mosaica Education, Inc for costs incurred during its start-up.

See Accompanying Notes to the Basic Financial Statements

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Note 1 – Description of the School

The Youngstown Academy of Excellence (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. 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.

The Academy was approved for operation 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. Subsequent to the year end, the Academy received a one year extension to its charter through June 30, 2011. 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.

The Academy operates under the direction of a Governing Board that consists of five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operate or manage the Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy contracts with Mosaica Education, Inc., for management services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 15.

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.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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.

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 fiscal year ended June 30, 2010.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2010, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2010 consisted of furniture, computers and other equipment as well as leasehold improvements to make the lower level of the facility useable. 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)

G. Capital Assets (Continued)

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

Description	Useful Lives
Furniture and Equipment	5-20 years
Computer Technology	5 years
Leasehold Improvements	Remaining term of the facility lease

H. 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. As of June 30, 2010, there were no net assets restricted for enabling legislation.

The statement of net assets reports no restricted net assets related to federal grant receipts and $121,996 invested in capital assets net of related debt.

I. 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.

J. 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.

K. Economic Dependency

The Academy receives approximately 98% 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 2010 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, 2010, the bank balance of Academy's deposits was $9,526. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2010, the Academy had intergovernmental receivables in the amount of $165,359. The receivables are expected to be collected within one year.

Grant	Amount
Title I	$41,281
21^{st} Century	75,760
School Counselor Grant	11,323
National School Lunch Program	2,928
IDEA B ARRA	4,168
Title I ARRA	12,501
IDEA B	8,796
E-Rate	5,690
Title IV	501
Title II D	1,377
Title II A	1,034
Total Intergovernmental Receivables	$165,359

Note 6 – Capital Assets

The capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions (Deletions)	Depreciation Expense	Balance June 30, 2010
Depreciable Capital Assets				
Furniture & Equipment	$72,448	0	0	$72,448
Computer Technology	96,309	12,989	0	109,298
Leasehold Improvements	21,053	21,519	0	42,572
Less Accumulated Depreciation				
Furniture & Equipment	(12,419)	0	(3,821)	(16,240)
Leasehold Improvements	(292)	0	(3,711)	(4,003)
Computer Technology	(62,601)	0	(19,478)	(82,079)
Capital Assets, Net	$114,498	$34,508	($27,010)	$121,996

Note 7 – Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:		
Each Occurrence		$1,000,000
Aggregate Limit		2,000,000
Products - Completed Operations Aggregate Limit		2,000,000
Medical Expense Limit - Any One Person/Occurrence		15,000
Damage to Rented Premises - Each Occurrence		500,000
Personal and Advertising Injury		1,000,000
Business Personal Property		303,200
Automobile Liability:		
Combined Single Limit		1,000,000
Excess/Umbrella		
Each Occurrence		3,000,000
Aggregate Limit		3,000,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage during the year.

Note 8 – Purchased Services

For the year ended June 30, 2010, purchased service expenses were for the following services:

Purchased Services	Amount
Personnel Services	$1,092,030
Staff and Administrative Services	727,069
Food Services	113,989
Student Services	90,752
Building Services	50,868
Sponsor Services	27,846
Advertising	16,784
Professional Services	10,791
Total	$2,130,129

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.

Note 9 - Defined Benefit Pension Plans (Continued)

A. School Employee Retirement System

Plan Description - The Academy 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 Academy is required to contribute at an actuarially determined rate. The current Academy 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 2010, 12.74 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were $12,158, $9,450, and $10,740 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The Academy 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.

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.

Note 9 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $94,641, $97,593, and $78,885 respectively; 96 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were made by the Academy.

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, 2010, 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 Academy 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.

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 2010, 0.5 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 Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $477, $4,418, and $4,901 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 10 - Postemployment Benefits (Continued)

A. School Employee Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were $725, $686, and $774 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The Academy 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $7,280, $7,507, and $6,068 respectively; 96 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010.

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. As a result of a recent review, it was determined that the Academy was over funded during fiscal 2010 by $62,402. The amount was recognized at June 30, 2010 as deferred revenue..

Note 12 – Building Leases

The Academy entered into a lease agreement on September 6, 2005 for 15 years to lease a building from School Properties Company, LLC, a wholly owned subsidiary of Mosaica Education, Inc. for the use of the main building and grounds as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 15. In accordance with the lease, the annual base rent increases by 2% effective each September of the lease term. Rent expense for the fiscal year ended 2010 was $309,644.

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

Fiscal Year Ending June 30	Amount
2011	$ 315,836
2012	322,152
2013	328,595
2014	335,167
2015	341,871
2016-2021	1,877,806
Total minimum lease payments	$ 3,521,427

Note 13 – Long-term Debt

In July 2009, the Academy executed a $300,000 long-term promissory note with Mosaica Education, Inc. (a related party, see Note 15), to reimburse Mosaica for organizational and development costs incurred during the start-up phase of the Academy. The note bears interest at 9% per annum and matures on June 15, 2013. From July 2009 through May 2013, equal monthly payments of $7,465 are due with a final payment of $5,867 due in June 2013. The outstanding principal at June 30, 2010 was $233,545. Interest expense incurred on this note during fiscal 2010 was $23,131.

The Academy was unable to pay $26,549 in principal payments and $7,428 in interest payments due in fiscal year 2010. These amounts owed to Mosaica Education, Inc., are reported as related party payables on the Statement of Net Assets. Mosaica Education, Inc., did not charge the Academy the late fees per the amortization schedule, however these amounts will be subject to the related party payables interest charge on late fees.

Note 14 –Tax Exempt Status.

In June 2010, the Academy received approval for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The effective date of the exemption is April 2005.

Note 15 – 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, technology services, 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.

Note 15 – Related Party Transactions/Management Company (Continued)

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 fiscal year 2010 was $274,578.

Also, per the management agreement there are expenses that will be billed to the academy based on the actual cost incurred on behalf of 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 administration services. The total expenses paid by Academy during fiscal year 2010 were $1,458,370

At June 30, 2010, the Academy had payables to Mosaica Education, Inc. in the amount of $948,363. The following is a schedule of payables owed to Mosaica Education, Inc.

	Amount
Payroll	$526,368
Management Fee	200,902
Finance Charges	21,073
Building Rent	154,314
Miscellaneous	45,706
Total June 30, 2010	$948,363

Note 16 – Sponsor

The Academy was approved for operation under a contract with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 18, 2005. In July 2010, the contract was extended for one year through June 2011. As part of this contract, the Sponsor is entitled to a maximum of 2% of the total state funds. Total amount due and paid for fiscal year 2010 was $27,846.

Note 17 – Management's Plan

For fiscal year 2010, the Academy had an operating loss of $1,239,866, a decrease in net assets of $400,493, and a cumulative net asset deficit of $1,034,848. Projected revenues and expenses for fiscal year 2011 indicate these financial difficulties will continue during the next fiscal year. As of January 31, 2011, the Academy's change in net assets was ($351,512) and net asset deficit of ($1,386,361).

Final fiscal year 2009 full-time equivalent student enrollment was 208 students and final fiscal year 2010 full-time equivalent student enrollment was 187 students.

Over time, management believes the anticipated increase in enrollment should allow the school to reduce its operating losses and have operating gains. Management plans to continue efforts to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which may increase enrollment, reduce future deficits and may lead to no operating losses in future years.

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Revenues	Expenses
United States Department of Agriculture ***Passed Through Ohio Department of Education***			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	$ 53,622	$ 53,622
National School Lunch Program	10.555	88,026	88,026
Total U.S. Department of Agriculture-Nutrition Cluster		141,648	141,648
United States Department of Education ***Passed Through Ohio Department of Education***			
Title I Grants to Local Educational Agencies	84.010	236,270	236,270
ARRA - Title I Grants to Local Educational Agencies	84.389	35,218	33,487
Total Title I Cluster		271,488	269,757
Special Education Grants to States (IDEA Part B)	84.027	44,082	44,082
ARRA - Special Education Grants to States (IDEA Part B)	84.391	20,468	20,468
Total Special Education Cluster		64,550	64,550
Title VI-B Safe and Drug Free School Communities State Grants	84.186	683	683
Title II-D Technology Literacy Challenge	84.318	1,591	1,592
Title IIA - Improving Teacher Quality State Grants	84.367	6,846	6,846
School Improvement Grant	84.377	12,913	12,913
21st Century Community Learning Centers	84.287	199,967	199,967
ARRA - State Fiscal Stabilization Fund Education State Grants	84.394	93,922	93,922
Total United States Department of Education		651,960	650,230
TOTAL FEDERAL AWARDS		**$ 793,608**	**$ 791,878**

The accompanying notes are an integral part of this schedule.

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Youngstown Academy of Excellence (the Academy's) federal award revenues and expenses. The schedule has been prepared on the 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*

Youngstown Academy of Excellence
Mahoning County
1408 Rigby Street
Youngstown, Ohio 44506

To the Board of Directors:

We have audited the financial statements of Youngstown Academy of Excellence, Mahoning County, Ohio (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 25, 2011 wherein 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 expressing our opinion on the financial statements, but not for 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*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199
www.auditor.state.oh.us

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated February 25, 2011.

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

Dave Yost
Auditor of State

February 25, 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

Youngstown Academy of Excellence
Mahoning County
1408 Rigby Street
Youngstown, Ohio 44506

To the Board of Directors:

Compliance

We have audited the compliance of Youngstown Academy of Excellence, Mahoning 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 each of Youngstown Academy of Excellence's major federal programs for the year ended June 30, 2010. 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, the Youngstown Academy of Excellence 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, 2010.

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 management, Board of Directors, the St. Aloysius Orphanage, 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

February 25, 2011

YOUNGSTOWN ACADEMY OF EXCELLENCE
MAHONING COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30 2010

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):**	CFDA #84.010 and #84.389 – Title I Grants to Local Educational Agencies CFDA #10.553 and #10.555 – Nutrition Cluster
(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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YOUNGSTOWN ACADEMY OF EXCELLENCE

MAHONING 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
APRIL 14, 2011