



**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Academy of Arts and Humanities  
Trumbull County  
3333 Chippewa Road  
Columbus, Ohio 43204

To the Board of Directors:

We have audited the accompanying basic financial statements of the Academy of Arts and Humanities, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Academy of Arts and Humanities, Trumbull County, Ohio as of June 30, 2011, 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.

As disclosed in Note 18, the Academy was closed effective July 1, 2011 by St. Aloysius Orphanage (the Sponsor) due to the expiration of the sponsorship agreement and has no plans to attempt reopening under a different sponsor.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, 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**  
Auditor of State

March 19, 2012

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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The discussion and analysis of the Academy of Arts and Humanities (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. 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**

Key highlights for fiscal year 2011 are as follows:

- Net assets decreased \$326,089.
- Operating expenses accounted for \$2,213,572 of the total expenses of \$2,259,095.
- Operating revenues accounted for \$1,201,658 of the Academy's total funding of \$1,933,006.
- The Academy had an operating loss of \$1,011,914 and \$731,348 of the operating loss was alleviated by non-operating federal and state grants. The Academy was able to utilize the majority of federal grant allocations for fiscal year 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial report consists of three parts; the 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 the governmental-wide financial statements is included in the discussion and analysis.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

Table 1 provides a summary of Academy's net assets for fiscal year 2011 compared to fiscal year 2010:

Table 1  
Net Assets

	2011	2010	Change
<b>Assets:</b>			
Current Assets	\$ 275,427	\$ 363,988	\$ (88,561)
Capital Assets	51,638	68,821	(17,183)
Total Assets	<u>327,065</u>	<u>432,809</u>	<u>(105,744)</u>
<b>Liabilities:</b>			
Current Liabilities	927,877	662,380	(265,497)
Long-term Liabilities	608,596	653,749	45,153
Total Liabilities	<u>1,536,473</u>	<u>1,316,129</u>	<u>(220,344)</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	38,035	51,666	(13,631)
Restricted for Other Purposes	102	8,400	(8,298)
Unrestricted	(1,247,545)	(943,385)	(304,160)
Total Net Assets (Deficit)	<u>\$ (1,209,408)</u>	<u>\$ (883,319)</u>	<u>\$ (326,089)</u>

Results of fiscal year 2011 indicate a decrease in net assets of \$326,089 and an ending net asset deficit of \$1,209,408. The decrease in net assets is primarily due to a decline in enrollment. The Academy finished fiscal year 2011 with 175 students, down from 233 at the end of fiscal year 2010.



**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

Table 2 reflects the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

Table 2  
Change in Net Assets

	2011	2010	Change
<b>Operating Revenues:</b>			
Community School Foundation	1,199,270	\$ 1,631,777	\$ (432,507)
Charge for Services and Miscellaneous	2,388	959	1,429
<b>Nonoperating Revenues:</b>			
Federal and State Restricted Grants	731,348	998,838	(267,490)
<b>Total Revenues</b>	<u>1,933,006</u>	<u>2,631,574</u>	<u>(698,568)</u>
<b>Operating Expenses:</b>			
Building	334,830	294,825	40,005
Purchased Services	1,732,040	2,284,194	(552,154)
Depreciation	17,183	16,970	213
General Supplies	77,276	111,074	(33,798)
Other Operating Expenses	52,243	-	52,243
<b>Nonoperating Expenses:</b>			
Interest Expense	45,523	86,037	(40,514)
<b>Total Expenses</b>	<u>2,259,095</u>	<u>2,793,100</u>	<u>(534,005)</u>
<b>Change in Net Assets</b>	(326,089)	(161,526)	(164,563)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(883,319)</u>	<u>(721,793)</u>	<u>(161,526)</u>
<b>Net Assets (Deficit) End of Year</b>	<u><u>(1,209,408)</u></u>	<u><u>\$ (883,319)</u></u>	<u><u>\$ (326,089)</u></u>

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. However, as of June 30, 2011, the charter between the Academy and St. Aloysius Orphanage expired and was not renewed. The Academy has no plans to attempt reopening under a different sponsor.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

**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, the St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the Academy had \$51,638 invested in capital assets (net of accumulated depreciation) for computer and other equipment, a decrease of \$17,183. The decrease is the result of the annual depreciation costs of \$17,183 recognized for the fiscal year. The following table shows fiscal year 2011 compared to 2010:

	2011	2010	Change
Furniture & Equipment	\$41,463	\$47,335	(\$5,872)
Computer Technology	10,175	21,486	(11,311)
Total Capital Assets, Net	\$51,638	\$68,821	(\$17,183)

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

**Debt**

At June 30, 2011, the Academy had \$668,778 in notes and capital leases outstanding, of which \$60,182 due within one year. The following outstanding table summarized the Academy's debt outstanding as of June 30, 2011.

Outstanding Debt, at Year End

	2011	2010	Change
Capital Leases	\$13,603	\$17,156	(\$3,553)
Promissory Note	655,175	679,329	(\$24,154)
Total Debt	\$668,778	\$696,485	(\$27,707)

For further information regarding the Academy's debt and capital leases, refer to Notes 13 and 14 to the basic financial statements.

**Economic Factors**

With the exception of the decision to bring closure to the Academy which will ultimately result in a final liquidation of all assets and liabilities of the Academy to the extent resources are available to do so, 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 operation.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Economic Factors (Continued)**

At June 30, 2011, the charter contract between the Academy and St. Aloysius Orphanage expired and was not renewed. Accordingly, subsequent to year end, the Academy has ceased operations and has proceeded with liquidation of assets via public auction. Proceeds from the public auction generated \$38,452 that, together with cash and expected collection of intergovernmental accounts receivables, will be used to negotiate settlements on the outstanding liabilities of the Academy. The Academy has no plans to attempt reopening under a different sponsor.

**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 Academy of Arts and Humanities, 3333 Chippewa Drive, Columbus, Ohio 43204.

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ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2011

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$	156,488
Intergovernmental Receivable		114,655
Prepaid Expense		4,284
<b>Total current assets</b>		<u>275,427</u>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation		<u>51,638</u>
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<b>Total assets</b>	\$	<u>327,065</u>
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**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	\$	46,033
Accounts Payable, Related Party		821,585
Accrued Interest		77
Current Portion of Long-term Debt		60,182
<b>Total current liabilities</b>		<u>927,877</u>

***Noncurrent liabilities:***

Noncurrent Portion of Long-term Debt		<u>608,596</u>
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<b>Total liabilities</b>		<u>1,536,473</u>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt		38,035
Restricted Net Assets		102
Unrestricted Net Assets		(1,247,545)
<b>Total Net Assets</b>	\$	<u><u>(1,209,408)</u></u>

See Accompanying Notes to the Basic Financial Statements

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

<b>Operating Revenues:</b>	
Community School Foundation	\$ 1,199,270
Charge for Services	1,332
Miscellaneous	1,056
<b>Total Operating Revenues</b>	1,201,658
 <b>Operating Expenses:</b>	
Building	334,830
Purchased Services	1,732,040
Depreciation	17,183
General Supplies	77,276
Other Operating Expenses	52,243
<b>Total Operating Expenses</b>	2,213,572
<b>Operating Loss</b>	(1,011,914)
 <b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	731,348
Interest Expense	(45,523)
<b>Net Nonoperating Revenues and Expenses</b>	685,825
<b>Change in Net Assets</b>	(326,089)
<b>Net Assets Deficit Beginning of Year</b>	(883,319)
<b>Net Assets Deficit End of Year</b>	\$ (1,209,408)

**See Accompanying Notes to the Basic Financial Statements**

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$	1,123,610
Charge for Services		1,332
Other Operating Receipts		1,056
Cash Payments to Suppliers for Goods and Services		(1,927,030)
Net Cash Used for Operating Activities		(801,032)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Note Payable Interest Payments		(3,481)
Note Payable Principal Payments		(24,154)
Federal and State Grant Receipts		913,477
Net Cash Provided by Noncapital Financing Activities		885,842

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Lease Interest Payments		(815)
Capital Lease Principal Retirement		(3,553)
Net Cash Used for Capital and Related Financing Activities		(4,368)

Net Increase in Cash and Cash Equivalents		80,442
Cash and Cash Equivalents - Beginning of the Year		76,046
Cash and Cash Equivalents - Ending of the Year	\$	156,488

**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating Loss	\$	(1,011,914)
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation		17,183
Changes in assets and liabilities:		
Increase in Receivables		(75,660)
Decrease in Prepaid Expense		20,651
Decrease in Accounts Payable, Trade		(23,191)
Increase in Accounts Payable, Related Party		271,899
<b>Net Cash Used for Operating Activities</b>	<b>\$</b>	<b>(801,032)</b>

**See Accompanying Notes to the Basic Financial Statements**

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**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 1 - Description of the School**

The Academy of Arts and Humanities (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through eighth 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.

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 June 30, 2010, the Academy received a one year extension to the contract 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. At June 30, 2011, the charter between the Academy and St. Aloysius Orphanage expired and was not renewed. The Academy has no plans to attempt reopening under a different sponsor.

The Academy operates 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 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 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.

**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.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**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.

**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, 2011.

**F. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2011, 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 2011 consisted of computers 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.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 2 - Summary of Significant Accounting Policies (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:

<u>Description</u>	<u>Useful Lives</u>
Furniture and Equipment	5-20 years
Computer Technology	5 years

**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, 2011, there was \$102 of net assets restricted by external restrictions imposed by grantors.

The statement of net assets reports \$38,035 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. Deferred Revenue**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. The Academy had no deferred revenue as of June 30, 2011.

**L. Economic Dependency**

The Academy receives approximately 99% 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.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**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 bank balance of Academy's deposits was \$158,420. 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, 2011, the Academy had intergovernmental receivables, in the amount of \$114,655. The receivables are expected to be collected within one year.

<u>Grant</u>	<u>Amount</u>
Title I A	\$11,863
Title I ARRA	26,298
Title II	680
21st Century Grant	15,855
School Counselor Grant	5,861
IDEA B	7,293
Other	13,028
State Foundation Adjustment	33,777
Total Intergovernmental Receivables	<u><u>\$114,655</u></u>

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	June 30, 2010	Additions	Deletions	June 30, 2011
Furniture and Equipment	\$ 68,575	\$ -	\$ -	\$ 68,575
Computers	65,266	-	-	65,266
Total Capital Assets	133,841	-	-	133,841
Less: Accumulated Depreciation	(65,020)	(17,183)	-	(82,203)
Capital Assets (net of depreciation)	<u>\$ 68,821</u>	<u>\$ (17,183)</u>	<u>\$ -</u>	<u>\$ 51,638</u>

**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 personnel; and natural disasters. During fiscal year 2011, the Academy contracted with Pashley Insurance Agency to provide insurance coverage 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	703,900
Automobile Liability:	
Combined Single Limit	1,000,000
Excess/Umbrella:	
Each Occurrence	8,000,000
Aggregate Limit	8,000,000

Effective November 5, 2012, the Academy cancelled its insurance coverage as the charter's operation has been discontinued. There have been no claims made against the school subsequent to cancellation of coverage and settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage from the prior year.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 8 – Purchased Services**

For the period July 1, 2010 through June 30, 2011, purchased service expenses were as follows:

Purchased Services	Amount
Personnel Services	\$1,159,465
Staff and Administrative Services	310,067
Food Service	90,229
Building Services	97,658
Sponsor Fee	34,049
Professional Services	10,153
Student Services	27,712
Advertising	2,707
Total	\$1,732,040

**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 system considers the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

**A. School Employees 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$21,513, \$13,822, and \$13,632, respectively; which equaled the required contributions each year.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 9 – Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System**

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report. Copies of the STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested in writing to STRS Ohio, 275 E Broad St, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state of any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of

service credit (including Ohio-value purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested for the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balances. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 9 – Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System (Continued)**

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a members on or after age 60. The defined contributions portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy – Chapter 3307 of the Revised Code provides statutory authority for members and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. Employer contributions actually paid should be disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

The Academy required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, 2009 were \$87,141, \$118,428, and \$128,224 respectively; 88 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 Academy.

**Note 10 – Postemployment Benefits**

**A. State Employee Retirement System**

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



**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 10 – Postemployment Benefits (Continued)**

**A. State Employee Retirement System (Continued)**

**Medicare Part B Plan**

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3306.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The Academy's contributions for the year ended June 30, 2011, 2010, and 2009 were \$2,605, \$542, and \$6,221, respectively, which equaled the required contributions each year.

**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$1,384, \$825, and \$982, respectively.

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

The financial reports of SERS' Health Care and Medicare Part B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 10 – Postemployment Benefits (Continued)**

**B. State Teachers Retirement System**

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,703, \$9,110, and \$9,863 respectively; 88 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 could result in state funding being adjusted. Based on a recent review of the 2010-11 school year, it was determined that the Academy was underfunded by \$33,777. This amount will be paid in 2011-12 and is included on the balance sheet as an intergovernmental receivable (see Note 5).

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

**Note 12 – Building Leases**

The Academy entered into a 10 year lease agreement in November 2007 to lease a building from Warren-Elm Facilities, LLC, a wholly owned subsidiary of Mosaica Education, Inc. for the use of the building and grounds as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 16. The lease term ends on June 30, 2017. The initial annual base rent was \$290,000 and has scheduled increases every two years based on the consumer price index. Under the lease agreement, the Academy is responsible for payment of all utilities, repairs and maintenance and property taxes. The building approximates 59,000 square feet. Rent expense for the years ended June 30, 2011 and 2010 was \$334,830 and \$294,825, respectively.

**Note 13 – Long-Term Debt Obligations**

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

	Balance		Principal	Balance	Amount Due
	June 30, 2010	Additions	Payments	June 30, 2011	Within One
					Year
Capital Leases	\$ 17,156	\$ -	\$ (3,553)	\$ 13,603	\$ 9,394
Promissory Notes	679,329	-	(24,154)	655,175	50,788
Long-Term Obligations	<u>\$ 696,485</u>	<u>\$ -</u>	<u>\$ (27,707)</u>	<u>\$ 668,778</u>	<u>\$ 60,182</u>

In July 2009, the Academy executed a \$150,000 promissory note payable to Mosaica Education, Inc., a related party (see Note 16), to reimburse Mosaica for organizational and development costs incurred during the pre-opening stage of the Academy. The note bears interest at 5 percent per annum and matures in June 2013. The note is payable in equal monthly installments of \$3,454 until maturity. The principal balance of this note at June 30, 2011 is \$90,777.

In June 2010, the Academy executed a \$564,398 promissory note payable to Mosaica Education, Inc., a related party (see Note 16), to defer payment of certain accounts payable invoices owed to Mosaica. The note bears interest at 7 percent per annum and matures in March 2015. Interest accrues only from July 1, 2010 to September 15, 2011. Beginning September 15, 2011 through March 15, 2015, quarterly installments are payable. The principal balance of this note payable at June 30, 2011 is \$564,398.

The balance of the Academy’s long term obligations as of June 30, 2011 will be settled through the close out process provided by the Ohio Department of Education. (See Note 18)

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 14 – Capital Lease-Lessee Disclosure**

The Academy entered into three lease agreements in fiscal year 2006 with Relational LLC for technology equipment (computers) and furniture. The Academy's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The furniture & equipment; technology and technology wiring have been capitalized in the amounts of \$38,432 \$29,194 and \$23,082 respectively, the present value of the minimum lease payments at the inception of the lease. In addition, the Academy entered into a lease agreement in fiscal year 2008 for telephone and security systems in the amount of \$30,143. 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:

<u>Year Ending June 30</u>	<u>Telephone / Security</u>
2012	10,510
2013	4,327
Total future minimum lease payments	<u>14,837</u>
Less: amount representing interest	<u>(1,234)</u>
Present value of future minimum lease payments	<u>\$ 13,603</u>

A liability for capital lease obligations in the amount of \$13,603 is included on the Statement of Net Assets. Of this amount, \$9,394 is a current liability due within one year and \$4,209 is a long-term liability due in more than one year.

**Note 15 –Tax Exempt Status**

The Academy is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

**Note 16 – Related Party Transactions/Management Company**

The Academy contracts with Mosaica Education, Inc. for 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, budget preparation, accounts payable, and payroll preparation.

The Academy contracted with Marino's Custom Concrete for snow removal and other grounds maintenance. The amount paid to Marino's Custom Concrete was \$2,480.

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2011 was \$241,494.

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

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**Note 16 – Related Party Transactions/Management Company (Continued)**

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost 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 administration services. The total expenses billed by Mosaica Education Inc during fiscal year 2011 were \$1,189,040.

At June 30, 2011, the Academy had payables to Mosaica Education, Inc. in the amount of \$821,585.

Management Fees	\$166,481
Rent	123,691
Finance Charges	63,833
Payroll	418,805
Other	48,775
Total	<u>\$821,585</u>

**Note 17 – Sponsor**

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 18, 2005 and extended for one year through June 30, 2011. As part of this contract, the Sponsor is entitled to a percentage of the total state funds. Total amount due and paid for fiscal year 2011 was \$34,049.

**Note 18 – Subsequent Events**

At June 30, 2011, the charter contract between the Academy and St. Aloysius Orphanage expired and was not renewed. Accordingly, subsequent to year end, the Academy has ceased operations and has proceeded with liquidation of assets via public auction as required by the Ohio Department of Education. Proceeds from the public auction generated \$36,529 that, together with cash and expected collection of intergovernmental accounts receivables, will be used to negotiate settlements on the outstanding liabilities of the Academy. The Academy has no plans to attempt reopening under a different sponsor.

As of March 19, 2012, \$114,654 of the receivables reported at June 30, 2011 on the Statement of Net Assets have been received by the Academy and an additional \$40,820 has been received from auction of capital assets and miscellaneous refunds from vendors and STRS. The Academy has paid a total of \$278,291 related to outstanding payables reported on the June 30, 2011 Statement of Net Assets and \$14,947 in expenses incurred after June 30, 2011. As of March 19, 2012 the Academy has a cash balance of \$18,724.

Per the minutes as of May 23, 2011, the copier lease from the Academy will be transferred over to STEAM Academy of Warren.

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**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Revenues	Expenses
<b><u>United States Department of Agriculture</u></b> <b><i>Passed Through Ohio Department of Education</i></b>				
Nutrition Cluster:				
Federal School Breakfast Program		10.553	\$ 30,962	\$ 30,962
National School Lunch Program		10.555	78,323	78,323
Total U.S. Department of Agriculture-Nutrition Cluster			<u>109,285</u>	<u>109,285</u>
<b><u>United States Department of Education</u></b> <b><i>Passed Through Ohio Department of Education</i></b>				
Title I Cluster				
Title I Grants to Local Educational Agencies		84.010	145,183	145,183
ARRA-Title I Grants to Local Educational Agencies		84.389	<u>62,763</u>	<u>62,763</u>
Total Title I Cluster			<u>207,946</u>	<u>207,946</u>
Special Education Cluster				
Special Education Grants to States		84.027	42,381	42,381
ARRA - Special Education Grants to States		84.391	<u>20,993</u>	<u>20,993</u>
Total Special Education Cluster			<u>63,374</u>	<u>63,374</u>
Twenty-First Century Community Learning Grants			200,000	200,000
Education Technology State Grants			64	-
Improving Teacher Quality State Grants			5,921	5,921
ARRA - State Fiscal Stabilization Fund			<u>99,161</u>	<u>99,161</u>
Total United States Department of Education			<u>576,466</u>	<u>576,402</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 685,751</u>	<u>\$ 685,687</u>

*The accompanying notes are an integral part of this schedule.*

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

**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) reports the Academy of Arts and Humanities (the Academy) federal award programs' revenue 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.





# Dave Yost • Auditor of State

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

Academy of Arts and Humanities  
Trumbull County  
3333 Chippewa Road  
Columbus, Ohio 43204

To the Board of Directors:

We have audited the basic financial statements of Academy of Arts and Humanities, Trumbull County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 19, 2012, wherein we noted the Academy ceased operations on July 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's basic 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 basic 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 also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 19, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

March 19, 2012



# Dave Yost • Auditor of State

## 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

Academy of Arts and Humanities  
Trumbull County  
3333 Chippewa Road  
Columbus, Ohio 43204

To the Board of Directors:

### Compliance

We have audited the compliance of the Academy of Arts and Humanities (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 the 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 opine on the Academy's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Academy of Arts and Humanities complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

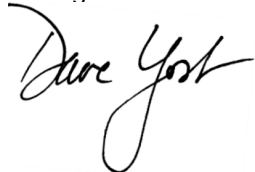
The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order 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 noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 19, 2012.

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



**Dave Yost**  
Auditor of State

March 19, 2012

**ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 and 84.389 – Title I Grants to Local Educational Agencies Cluster  CFDA #84.287 – Twenty-First Century Community Learning Centers
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY

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

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

FINDING NUMBER 2011-001

**Significant Deficiency**

**Board Monitoring**

Monitoring is comprised of regular management activities established to oversee whether management's financial objectives are being achieved.

The Academy ceased operations on July 1, 2011. There was financial activity after the closure date. However, the Board did not review financial activity, nor did the Board meet regularly during this period to monitor the close out process to ensure it was in accordance to the Ohio Department of Education guidelines.

The Board has a management agreement with Mosaica Education, Inc. (MEI) to provide certain services which include Treasurer, accounting, and financial reporting services. Although the Board has entered into an agreement with MEI to provide these services it is still the responsibility of the Board to monitor them.

Lack of effective legislative monitoring can lead to errors, irregularities, or misappropriation of the Academy's funds as well as misstatement of the activity reported on the financial statements.

We recommend that the Board monitor the closeout of the Academy including the liquidation of the Academy's assets and payment to creditors.

**Officials' Response:** We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None

ACADEMY OF ARTS AND HUMANITIES  
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	The Academy did not maintain the 2008-09 free and reduce applications.	Yes	N/A

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Academy of Arts and Humanities  
Trumbull County  
3333 Chippewa Road  
Columbus, Ohio 43204

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Academy of Arts and Humanities, Trumbull County (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board of Directors did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board of Directors to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 19, 2012

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# Dave Yost • Auditor of State

ACADEMY OF ARTS AND HUMANITIES

TRUMBULL 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 19, 2012