CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Dave Yost • Auditor of State

Board of Directors
Cincinnati Leadership Academy
7243 Eastlawn Drive
Cincinnati, Ohio 45237

We have reviewed the *Report of Independent Accountants* of the Cincinnati Leadership Academy, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cincinnati Leadership Academy is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 26, 2012

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CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY
AUDIT REPORT
For the Year Ending June 30, 2011

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REPORT OF INDEPENDENT ACCOUNTANTS

Cincinnati Leadership Academy
Hamilton County
7243 Eastlawn Drive
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cincinnati Leadership Academy (the Academy) as of and for the year ended June 30, 20110, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Leadership Academy as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
March 15, 2012

The management's discussion and analysis of Cincinnati Leadership Academy's 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 review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- In total, net deficit was ($113,296) in 2011.
- Total assets were $188,720 in 2011.
- Liabilities were $302,016 in 2011.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during 2011?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table I provides a summary of the Academy's net assets for fiscal years 2011 and 2010:

TABLE I

	June 30 2011	June 30 2010
Assets		
Current Assets	$ 133,814	$ 223,001
Deposits	10,000	10,000
Capital Assets - Net	44,906	6,071
Total assets	188,720	239,072
Liabilities		
Current Liabilities	234,763	274,655
Non-Current Liabilities	67,253	131,232
Total liabilities	302,016	405,887
Net Assets		
Invested in capital assets	44,906	6,071
Unrestricted	(158,202)	(172,886)
Total net assets	$ (113,296)	$ (166,815)

Total net deficit for the Academy was $ (113,296), due primarily to a working capital note due to the management company. Cash was $6,699. Intergovernmental receivables were $107,218 due primarily to the timing of receipt of grant funding and an adjustment due in foundation funds. Capital assets, net of depreciation, were $44,906.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010, as well as a listing of revenues and expenses.

TABLE 2

	June 30 2011	June 30 2010
Operating Revenues		
Foundation Payments	$ 1,313,311	$ 1,111,369
Food Services		172
Other Revenues	1,366	114
	1,314,677	$ 1,111,655
Nonoperating Revenues		
Federal Grants	524,035	511,051
State Grants	7,619	7,070
Contributions and Donations	13,336	
Other Revenues	7,783	
	552,773	518,121
Total revenue	1,867,450	1,629,776
Operating Expenses		
Purchased Services	1,673,243	1,438,652
Materials and Supplies	61,371	47,738
Depreciation (unallocated)	17,928	1,464
Other expenses	46,500	38,175
	1,799,042	1,526,029
Nonoperating Expenses		
Interest	12,058	14,275
Refund of Prior Year Federal Funds	2,831	
Total expenses	1,813,931	1,540,304
Increase in Net Assets	$ 53,519	$ 89,472

Net assets increased by $53,519. Foundation payments increased by $201,942 and Purchased Services increased $234,591 both due to factors related to increased student counts.

Capital Assets

At the end of fiscal year 2011, the Academy had $44,906 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2011 and 2010.

TABLE 3

	2011	2010
Furniture, fixtures and equipment	$ 44,906	$ 6,071

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues

Cincinnati Leadership Academy was formed in 2007 under a contract with the Buckeye Community Hope Foundation. During the 2010-2011 school year there were 198 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2011 amounted to $1,313,311.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Cincinnati Leadership Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets		
Current Assets:		
Cash and Cash Equivalents	$	6,699
Accounts Receivable		7,020
Intergovernmental Receivables		107,218
Prepaid Items		12,877
Total Current Assets		133,814
Non-Current Assets:		
Deposits		10,000
Capital Assets:		
Depreciable Capital Assets, Net		44,906
Total Non-Current Assets		54,906
Total Assets		188,720
Liabilities		
Current Liabilities:		
Accounts Payable		23,582
Accrued Wages Payable		100,106
STRS-SERS Payable		6,055
Notes Payable		63,979
Contracts Payable		41,041
Total Current Liabilities		234,763
Non-Current Liabilities:		
Due In More Than One Year		67,253
Total Non-Current Liabilities		67,253
Total Liabilities		302,016
Net Assets		
Invested in Capital Assets, Net of Related Debt		44,906
Unrestricted		(158,202)
Total Net Assets	$	(113,296)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

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

Operating Revenues	
Foundation Payments	$ 1,313,311
Other Revenues	1,366
Total Operating Revenues	1,314,677
Operating Expenses	
Purchased Services (Note 11)	1,673,243
Materials and Supplies	61,371
Depreciation	17,928
Other	46,500
Total Operating Expenses	1,799,042
Operating Loss	(484,365)
Non-Operating Revenues and Expenses	
Federal Grants	524,035
State Grants	7,619
Contributions and Donations	13,336
Refund of Prior Year Federal Funds	(2,831)
Proceeds from Insurance Claim	7,783
Interest and Fiscal Charges	(12,058)
Total Non-Operating Revenues and Expenses	537,884
Change in Net Assets	53,519
Net Assets Beginning of Year	(166,815)
Net Assets End of Year	$ (113,296)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	$ 1,300,917
Cash Received from Other Operating Revenues	1,354
Cash Payments to Suppliers for Goods and Services	(1,814,133)
Net Cash Used for Operating Activities	(511,862)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Other Non-Operating Revenues/Expenses:	
Federal Grants Received	619,134
State Grants Received	7,619
Contributions and Donations	13,336
Refund of Prior Year Federal Funds	(2,831)
Cash Received from Other Non-Operating Revenues	7,783
Proceeds from Notes	225,000
Principal Payments	(295,717)
Interest Payments	(13,720)
Net Cash Provided by Noncapital Financing Activities	560,604
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(56,763)
Net Cash Used for Capital and Related Financing Activities	(56,763)
Net Increase in Cash and Cash Equivalents	(8,021)
Cash and Cash Equivalents at Beginning of Year	14,720
Cash and Cash Equivalents at End of Year	$ 6,699

(Continued)

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(484,365)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		17,928
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(7,020)
(Increase) in Intergovernmental Receivable		(12,394)
Decrease in Prepaid Items		5,479
Increase in Accounts Payable		15,333
(Decrease) in Intergovernmental Payable		(236)
Increase in STRS-SERS Payable		4,917
Increase in Accrued Wages Payable		57,534
(Decrease) in Contracts Payable		(109,038)
Total Adjustments		(27,497)
Net Cash Used by Operating Activities	$	(511,862)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Cincinnati Leadership Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may 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 Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing March 7, 2007. 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 four member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by eight certificated teachers and thirteen non-certificated staff who provide services to 198 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy chose not to apply FASB pronouncements 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 revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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 changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for individual purchases of furniture and equipment, land, and buildings, or $2,500 for aggregate purchases. Software costing more than $10,000 per application is also capitalized. The Academy does not possess 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets or over the life of the lease for leasehold improvements. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, currently totaling $10,000, is held by the lessor. (See Note 11)

3. DEPOSITS

The Academy has designated two banks for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits.

4. RECEIVABLES

Receivables at June 30, 2011, consisted primarily of intergovernmental grants and reimbursements. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

4. RECEIVABLES (continued)

Intergovernmental Receivables	Amounts
Title I	41,784
Title IIA	5,957
Title IId	319
Race to the Top	9,294
Special Ed	4,597
School Foundation Adjustment Due	45,267
Total Intergovernmental Receivables	$ 107,218
Accounts Receivables	
eRate Reimbursement pending - Verizon	551
eRate Reimbursement pending - Shutternet	6,469
Total Accounts Receivable	$ 7,020

5. CAPITAL ASSETS

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

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 4,901	$ 20,596	$ -	$ 25,497
Buildings	2,697	36,167	-	38,864
Total Capital Assets Being Depreciated	7,598	56,763	-	64,361
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(611)	(3,356)	-	(3,967)
Buildings	(916)	(14,572)	-	(15,488)
Total Accumulated Depreciation	(1,527)	(17,928)	-	(19,455)
Total Capital Assets Being Depreciated, Net	$ 6,071	$ 38,835	$ -	$ 44,906

6. RISK MANAGEMENT

A. Property and Liability

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 2011, the Academy contracted with Philadelphia Insurance for general liability, property insurance and educational errors and omissions insurance.

6. RISK MANAGEMENT (continued)

A. Property and Liability (continued)

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability	$3,000,000
Part 2, Employment Practices	3,000,000
Aggregate	4,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal and ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property	250,000
Umbrella	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the previous year.

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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.

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 Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $10,945, $5,398, and $4,764 respectively; 100 percent has been contributed for all fiscal years.

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

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 multiplied by a percentage that varies based on years of service, or on 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 Plan 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.

For the fiscal year ended June 30, 2011, 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. 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, 2011, 2010, and 2009 were $67,990, $64,781, and $48,444 respectively; 100 percent has been contributed for all fiscal years.

8. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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.

8. POSTEMPLOYMENT BENEFITS (continued)

A. School Employee Retirement System (continued)

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, OH 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was $638.

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, 2011, 2010, and 2009 were $1,325, $194, and $2,180 respectively. 100 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were $704, $321 and $393 respectively. 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

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.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2011, 2010 and 2009 were $5,230, $4,983 and $3,726 respectively. 100 percent has been contributed for all fiscal years.

9. 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 funds. 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.

9. CONTINGENCIES (continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected ODE owed the Academy $45,267.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$ 674,905
Fringe Benefits	247,261
Repairs and maintenance	25,611
Advertising	5,718
Gas, Electricity, Water	51,391
The Leona Group, LLC.	221,220
Buckeye Community Hope Foundation	39,344
Cleaning Services	29,684
Communications	4,162
Food Services	122,160
Other rentals and leases	4,392
Building lease agreements	143,000
Other Professional and Technical Services	104,397
Total Purchased Services	$ 1,673,243

11. OPERATING LEASES

The Academy has entered into a lease for the period August 1, 2007 through July 31, 2012 with Our Mother of Sorrows Catholic Church. Payments made totaled $143,000 for the fiscal period. The Academy has the option to extend the lease for one additional three to five-year term. The annual Base Rent for the extended term shall be one hundred three percent of the rent due during the immediately prior year.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2011.

Fiscal Year Ending June 30,	Facility Lease
2012	$ 155,000
2013	13,000
Total minimum lease payments	$ 168,000

12. NOTES PAYABLE

Debt activity during 2011 was as follows:

	Balance at 07/01/10	Additions	Reductions	Balance at 06/30/11	Due in One Year
Note Payable-Charter One	$ -	$ 225,000	$ 225,000	$ -	$ -
Note Payable - LG	201,949	-	70,717	131,232	63,979
Total	$ 201,949	$ 225,000	$ 295,717	$ 131,232	$ 63,979

The Academy entered into a loan agreement with Charter One Bank on August 9, 2010 with a maturity date of June 30, 2011. This agreement provided the Academy with $225,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner.

The Academy entered into a loan agreement with TLG for working capital in June 2009 for $250,000 at annual interest rate of 5%. The note required monthly payments of $5,757, including interest, beginning July 1, 2009 with a maturity of June 30, 2013.

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13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 15, 2007 through June 30, 2012, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures. The amount paid to TLG for fiscal period 2011 totaled $221,220. Terms of the contracts require TLG to provide the following:

A. implementation and administration of the Educational Program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy and other costs related to providing educational and administrative services.

Expenses	2011
Salaries and Wages	$674,905
Employee Benefits	247,261
Professional and Technical Service	20,370
Communications	454
Contracted Craft or Trade Services	1,168
Other Supplies	3,161
Other Direct Costs	2,222
Total Expenses	$949,541

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2011, the Academy owed The Leona Group, LLC $41,041. The following is a schedule of amounts due to The Leona Group, LLC.:

	Amount
Management Fees	$ 17,509
Payroll	13,779
Miscellaneous	9,753
Total Expenses	$ 41,041

14. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizen NA on October 14, 2011 with a maturity date of June 30, 2012. This agreement provided the Academy with $150,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

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Certified Public Accountants

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

Cincinnati Leadership Academy
Hamilton County
7243 Eastlawn Drive
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the financial statements of the Cincinnati Leadership Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and others within the Academy. We intend it for no one other than these specified parties.

Charles E. Harris Associates

Charles E. Harris and Associates, Inc.
March 15, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ended June 30, 2010, reported no material citations or recommendations.

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Independent Accountants' Report on Applying Agreed-Upon Procedure

Cincinnati Leadership Academy
Hamilton County
7243 Eastlawn Drive
Cincinnati, Ohio 45237

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 the Cincinnati Leadership 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.

We noted the Board of Directors amended its anti-harassment policy at its meeting on May 24, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris Associates

Charles E. Harris & Associates, Inc.
March 15, 2012

CINCINNATI LEADERSHIP ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 8, 2012