



Dave Yost • Auditor of State



**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Youngstown Academy of Excellence, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2011, 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 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 Youngstown Academy of Excellence, Mahoning 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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 17 to the financial statements, the Academy's deficit net assets (1,345,486) and operating loss (\$990,521) raise substantial doubt about its ability to continue as a going concern. Note 17 describes the management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 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

January 24, 2012

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

The discussion and analysis of the Youngstown Academy of Excellence (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance. The first year of the Academy's operations was 2006.

**Financial Highlights**

- Net assets decreased \$310,638.
- Operating expenses accounted for \$2,007,696 of the total expenses of \$2,026,589.
- Operating revenues accounted for \$1,017,175 of the Academy's total funding of \$1,715,951.
- The Academy had an operating loss of \$990,521 and \$698,776 of the operating loss was alleviated by non-operating federal and state grants. The Academy was able to utilize the majority of the federal grant allocations for fiscal year 2011.

**Overview of the Financial Statements**

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

**Financial Analysis of the Academy as a Whole**

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

The following tables represent a summary of the Academy's condensed financial information for fiscal year 2011 derived from the statement of net assets and the statement of revenues, expenses and changes in net assets.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

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

Table 1  
Net Assets

	2011	2010	Change
<b>Assets:</b>			
Current Assets	\$ 133,121	\$ 178,331	\$ (45,210)
Capital Assets	91,436	121,996	(30,560)
Total Assets	<u>224,557</u>	<u>300,327</u>	<u>(75,770)</u>
<b>Liabilities:</b>			
Current Liabilities	1,486,128	1,173,097	313,031
Long-term Liabilities	83,915	162,078	(78,163)
Total Liabilities	<u>1,570,043</u>	<u>1,335,175</u>	<u>234,868</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	91,436	121,996	(30,560)
Unrestricted	(1,436,922)	(1,156,844)	(280,078)
Total Net Assets	<u>\$ (1,345,486)</u>	<u>\$ (1,034,848)</u>	<u>\$ (310,638)</u>

Results of fiscal year 2011 indicate an ending cumulative net deficit balance of \$1,345,486, a decrease of \$310,638 over fiscal year 2010. The decrease is the result of a significant decline from enrollment of 187 for fiscal year 2010 compared to enrollment of 136 for fiscal year 2011. We have noted a sizeable recovery of enrollment to 195 as of November 2011 which should help reduce the likelihood of another net loss for fiscal year 2012. The goal is to increase enrollment to be closer to the capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Initial losses are typical for a new Academy which may not achieve positive net assets within the first several years of operations due to significant start-up costs.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL 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	\$ 1,014,874	\$ 1,333,317	\$ (318,443)
Miscellaneous	2,301	28,710	(26,409)
<b>Non Operating Revenues:</b>			
Federal and State Restricted Grants	698,776	863,304	(164,528)
<b>Total Revenues</b>	1,715,951	2,225,331	(509,380)
<b>Operating Expenses:</b>			
Building	315,837	309,644	6,193
Purchased Services	1,586,443	2,130,129	(543,686)
Depreciation	23,247	27,010	(3,763)
General Supplies	66,749	119,015	(52,266)
Other Operating Expenses	15,420	16,095	(675)
<b>Non Operating Expenses:</b>			
Interest Expense	18,893	23,931	(5,038)
<b>Total Expenses</b>	2,026,589	2,625,824	(599,235)
<b>Change in Net Assets</b>	(310,638)	(400,493)	89,855
<b>Net Assets (Deficit) Beginning of Year</b>	(1,034,848)	(634,355)	(400,493)
<b>Net Assets (Deficit) End of Year</b>	\$ (1,345,486)	\$ (1,034,848)	\$ (310,638)

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**Budget**

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of FY 2011, the Academy had \$91,436 invested in capital assets (net of accumulated depreciation) for leasehold improvements, computers and other equipment, a decrease of \$30,560 or 25 percent. The following table shows fiscal year 2011 compared to fiscal year 2010:

	2011	2010	Change
Furniture & Equipment	\$52,387	\$56,208	(\$3,821)
Computer Technology	10,175	27,219	(17,044)
Leasehold Improvements	28,874	38,569	(9,695)
Net Capital Assets	\$91,436	\$121,996	(\$30,560)

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

**Debt**

In July 2009, the Academy executed a \$300,000 promissory note to reimburse its management company for costs incurred during the organizational and development stage of the start-up of the Academy. The following table summarizes the Academy's debt outstanding as of June 30, 2011.

	2011	2010	Change
Start-Up Note	\$227,840	\$233,545	(\$5,705)

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**Economic Factors**

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

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact Brenda Neff, Treasurer for Youngstown Academy of Excellence, 1408 Rigby Street, Youngstown, Ohio 44506.

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**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 14,771
Intergovernmental Receivable	114,474
Prepaid Expense	<u>3,876</u>
<b>Total current assets</b>	<u>133,121</u>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	<u>91,436</u>
<b>Total assets</b>	<u>224,557</u>

**Liabilities:**

***Current Liabilities:***

Accounts Payable, Trade	27,383
Accounts Payable, Related Party	1,277,379
Deferred Revenue	37,441
Current Portion of Long-term Debt	<u>143,925</u>
<b>Total current liabilities</b>	<u>1,486,128</u>

***Noncurrent liabilities:***

Non-Current Portion of Long-term Debt	<u>83,915</u>
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<b>Total liabilities</b>	<u>1,570,043</u>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	91,436
Unrestricted Net Assets	<u>(1,436,922)</u>
<b>Total Net Assets</b>	<u><u>\$ (1,345,486)</u></u>

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

<b>Operating Revenues:</b>	
Community School Foundation	\$ 1,014,874
Miscellaneous	2,301
<b>Total Operating Revenues</b>	<u>1,017,175</u>
<b>Operating Expenses:</b>	
Building	315,837
Purchased Services	1,586,443
Depreciation	23,247
General Supplies	66,749
Other Operating Expenses	15,420
<b>Total Operating Expenses</b>	<u>2,007,696</u>
<b>Operating Loss</b>	<u>(990,521)</u>
<b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	698,776
Interest Expense	(18,893)
<b>Total Nonoperating Revenues and Expenses</b>	<u>679,883</u>
<b>Change in Net Assets</b>	(310,638)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(1,034,848)</u>
<b>Net Assets (Deficit) End of Year</b>	<u><u>\$ (1,345,486)</u></u>

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$ 934,650
Other Operating Receipts	2,301
Cash Payments to Suppliers for Goods and Services	<u>(1,720,809)</u>
Net Cash Used For Operating Activities	<u>(783,858)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Short-term Financing Payments	(765)
Federal and State Grant Receipts	<u>804,924</u>
Net Cash Provided by Noncapital Financing Activities	<u>804,159</u>

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

Note Payable Interest Payments	(1,761)
Note Payable Principal Retirement	<u>(5,705)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(7,466)</u>

Net Increase in Cash and Cash Equivalents	12,835
Cash and Cash Equivalents - Beginning of the Year	<u>1,936</u>
Cash and Cash Equivalents - Ending of the Year	<u><u>14,771</u></u>

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

Operating Loss	<u>(990,521)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	23,247
Changes in assets and liabilities:	
Increase in Receivables	(55,263)
Increase in Prepaid Expense	(640)
Decrease in Accounts Payable, Trade	(63,482)
Increase in Accounts Payable, Related Party	327,762
Decrease in Deferred Revenue	<u>(24,961)</u>

<b>Net Cash Used for Operating Activities</b>	<b><u><u>\$ (783,858)</u></u></b>
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**See Accompanying Notes to the Basic Financial Statements**

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**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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 Youngstown Academy of Excellence (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2010 with a one year extension ending June 30, 2011. The Academy executed an agreement on March 12, 2011 to extend its charter through June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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

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

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

The basic 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’s finances meet its cash flow needs.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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 basic financial statements. The Academy's basic 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 the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

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

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 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 furniture, computers and other equipment as well as leasehold improvements to make the lower level of the facility useable. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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 over the remaining useful lives of the related 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
Leasehold Improvements	Remaining term of the facility lease

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, there were no net assets restricted for enabling legislation.

The statement of net assets reports no restricted net assets related to federal grant receipts and \$91,436 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 basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**K. 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.

**Note 3 – Changes in Accounting Principles**

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**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 \$38,671. 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 \$114,474. The receivables are expected to be collected within one year

Grant	Amount
Title I	\$15,454
SERS Refund	4,139
School Counselor Grant	8,129
National School Lunch Program	1,142
IDEA ARRA	2,790
Title I ARRA	20,558
IDEA B	4,007
State Foundation FTE Adjustment	55,263
Title III	2,068
Title II D	924
Total Intergovernmental Receivables	\$114,474

**Note 6 – Capital Assets**

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

	Balance June 30, 2010	Additions (Deletions)	Depreciation Expense	Balance June 30, 2011
Depreciable Capital Assets				
Furniture & Equipment	\$72,448	0	0	\$72,448
Computer Technology	109,298	0	0	109,298
Leasehold Improvements	42,572	(7,314)	0	35,258
Less Accumulated Depreciation				
Furniture & Equipment	(16,240)	0	(3,821)	(20,061)
Leasehold Improvements	(4,003)	0	(2,381)	(6,384)
Computer Technology	(82,079)	0	(17,044)	(99,123)
Capital Assets, Net	\$121,996	(\$7,314)	(\$23,246)	\$91,436

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**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 the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

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

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

**Note 8 – Purchased Services**

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

<u>Purchased Services</u>	<u>Amount</u>
Personnel Services	\$1,042,231
Staff and Administrative Services	296,860
Food Services	87,409
Student Services	33,719
Building Services	72,440
Sponsor Services	28,227
Advertising	10,905
Professional Services	14,652
Total	<u>\$1,586,443</u>

**Note 9 - Defined Benefit Pension Plans**

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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)**

**A. School Employee Retirement System**

Plan Description – The Academy contributes to the School Employees Retirement System of Ohio (SERS), a coast-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state and statute per 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 can be obtained on SERS' website at [www.ohserg.org](http://www.ohserg.org) under **Employers/Audit Resources**.

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 \$14,313, \$12,158, and \$9,450, respectively; which equaled the required contributions each year.

**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.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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)**

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.

**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.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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)**

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 \$81,892, \$94,641, and \$97,593 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. School 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.

**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 \$921, \$725, and \$686, 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, prorated according to service credit earned.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING 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. School Employee Retirement System (Continued)**

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 \$1,733, \$477, and \$4,418, 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.

**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 \$6,299, \$7,280, and \$7,507 respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

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**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. This also encompasses the Auditor of State's ongoing review over the Academy's Supplemental Educational Services (SES) expenditures within the Title I program. 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. As a result of a recent review, it was determined that the Academy was under funded during fiscal 2011 by \$55,263. The amount was recognized at June 30, 2011 as an addition to intergovernmental receivables (see Note 5).

**Note 12 – Building Leases**

The Academy entered into a lease agreement on September 6, 2005 for 15 years to lease a building from School Properties Company, LLC, a wholly owned subsidiary of Mosaica Education, Inc. for the use of the main building and grounds as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 15. In accordance with the lease, the annual base rent increases by 2% effective each September of the lease term. Rent expense for the fiscal year ended 2011 was \$315,837.

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

Fiscal Year Ending	Amount
<u>June 30</u>	
2012	\$ 322,152
2013	328,595
2014	335,167
2015	341,871
2016	348,708
Thereafter	1,529,098
Total minimum lease payments	<u>\$ 3,205,591</u>

**Note 13 – Long-term Debt**

In July 2009, the Academy executed a \$300,000 long-term promissory note with Mosaica Education, Inc. (a related party, see Note 15), to reimburse Mosaica for organizational and development costs incurred during the start-up phase of the Academy. The note bears interest at 9% per annum and matures on June 15, 2013. From July 2010 through May 2013, equal monthly payments of \$7,466 are due with a final payment of \$5,867 due in June 2013. The outstanding principal at June 30, 2011 was \$227,840. Interest expense incurred on this note during fiscal 2011 was \$18,128.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**Note 13 – Long-term Debt (Continued)**

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Amount Due Within One Year
Mosaica Education, Inc Promissory Note	\$233,545	\$0	(\$5,705)	\$227,840	\$143,925

**Note 14 –Tax Exempt Status.**

In June 2011, the Academy received approval for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The effective date of the exemption is April 2005.

**Note 15 – Related Party Transactions/Management Company**

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

Per the management agreement with the Academy, Mosaica Education is entitled to a management fee that is equivalent to 12.5% of the Academy's revenues. The management fee for fiscal year 2011 was \$214,206.

Also, per the management agreement there are expenses that will be billed to the academy based on the actual cost incurred on behalf of the Academy by Mosaica Education, Inc. These expenses include rent, salaries of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid by the Academy during the fiscal year 2011 were \$941,123.

At June 30, 2011, the Academy had payables to Mosaica Education, Inc. in the amount of \$1,277,379. The following is a schedule of payables owed to Mosaica Education, Inc.

	Amount
Payroll	\$704,168
Management Fee	275,736
Building Rent	264,060
Miscellaneous	33,415
Total June 30, 2011	<u>\$1,277,379</u>

**Note 16 – Sponsor**

The Academy was approved for operation under a contract with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 18, 2005. In July 2010 and the contract was extended for one year through June 2011. The Academy executed an agreement on March 12, 2011 to extend its charter through June 30, 2012. As part of this contract, the Sponsor is entitled to a maximum of 3% of the total state funds. Total amount due and paid for fiscal year 2011 was \$28,227.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

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**Note 17 – Management’s Plan**

For fiscal year 2011, the Academy had an operating loss of \$990,521, a decrease in net assets of \$310,638, and a cumulative net asset deficit of \$1,345,486. As of December 31, 2011, the Academy’s change in net assets was \$21,019 and net asset deficit of \$1,324,467. In addition the Academy is projecting a deficit net asset balance at June 30, 2012 of \$1,481,038 on the five year forecast filed with the Ohio Department of Education on October 31, 2011.

Final fiscal year 2011 full-time equivalent student enrollment was 136 students and final fiscal year 2010 full-time equivalent student enrollment was 187 students. We have noted a sizeable recovery of enrollment to 195 as of December 2011 which should help reduce the likelihood of another net loss for 2011-12.

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

In accordance with Ohio Revised Code Section 3314.07, the sponsor, St. Aloysius Orphanage, is non-renewing Youngstown Academy of Excellence effective June 30, 2012 due to not meeting academic performance standards. The Board is actively seeking another sponsor.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <i>Program Title</i>	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	\$ 38,122	\$ 38,122
National School Lunch Program	10.555	62,842	62,842
Total U.S. Department of Agriculture-Nutrition Cluster		<u>100,964</u>	<u>100,964</u>
<b><u>United States Department of Education</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies	84.010	109,484	109,484
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>88,028</u>	<u>88,028</u>
Total Title I Cluster		197,512	197,512
Special Education Grants to States (IDEA Part B)	84.027	38,324	38,324
ARRA - Special Education Grants to States (IDEA Part B)	84.391	<u>27,019</u>	<u>27,019</u>
Total Special Education Cluster		65,343	65,343
Twenty-First Century Community Learning Centers	84.287	200,000	200,000
Title II-D Technology Literacy Challenge	84.318	969	969
Title III - English Language Acquisition Grants	84.365	6,968	6,968
ARRA - State Fiscal Stabilization Fund Education State Grants	84.394	<u>81,649</u>	<u>81,649</u>
Total United States Department of Education		<u>552,441</u>	<u>552,441</u>
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 653,405</u></u>	<u><u>\$ 653,405</u></u>

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Youngstown Academy of Excellence's (the Academy's) 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*

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

To the Board of Directors:

We have audited the basic financial statements of Youngstown Academy of Excellence, Mahoning County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 24, 2012, wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic 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 basic 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 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*.

Youngstown Academy of Excellence  
Mahoning County  
Independent Accountants' Report on Internal Control over Financial Reporting  
And On Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 24, 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 initial "D".

**Dave Yost**  
Auditor of State

January 24, 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

Youngstown Academy of Excellence  
Mahoning County  
1408 Rigby Street  
Youngstown, Ohio 45506

To the Board of Directors:

### Compliance

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

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 Youngstown Academy of Excellence 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.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*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 matters 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 January 24, 2012.

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



**Dave Yost**  
Auditor of State

January 24, 2012

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
MAHONING COUNTY**

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

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

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

Youngstown Academy of Excellence  
Mahoning County  
1408 Rigby Street  
Youngstown, Ohio 45506

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 Youngstown Academy of Excellence, Mahoning County, Ohio (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 Academy 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 Academy 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 of Directors and St. Aloysius Orphanage 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

January 24, 2012

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# Dave Yost • Auditor of State

**YOUNGSTOWN ACADEMY OF EXCELLENCE**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 20, 2012**