



**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

REGULAR AUDIT

**FOR THE YEAR ENDED JUNE 30, 2008 AND PERIOD OF
OCTOBER 1, 2006 THROUGH JUNE 30, 2007**



Mary Taylor, CPA
Auditor of State

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cornerstone Academy
Franklin County
3333 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

We have audited the accompanying basic financial statements of Cornerstone Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008 and period of October 1, 2006 to June 30, 2007, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Academy, Franklin County, Ohio, as of June 30, 2008 and June 30, 2007, 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.

As discussed in Note 15, the Academy has been removed from suspension status by St. Aloysius Orphanage (the Sponsor) and resumed operations on September 20, 2007.

Also, as discussed in Note 16 to the financial statements, the Academy has suffered recurring losses from operations and has a net assets deficiency. Note 16 describes Management's plans regarding these matters. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 11, 2009

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND
THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
UNAUDITED

The discussion and analysis of the Cornerstone Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008 and for the period October 1, 2006 to June 30, 2007. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Financial Highlights

The Academy finished its first year of operations since emerging from suspended operations during fiscal year 2008 serving kindergarten through fifth grade. The Academy suspended operations during the period October 1, 2006 to June 30, 2007 and resumed operations September 20, 2007. Enrollment varied during fiscal year 2008 but averaged 87 students.

Key financial highlights for 2008 are as follows:

- In total, net assets were a deficit of \$914,923 at June 30, 2008. A decrease of \$599,401 from 2007.
- The Academy had operating revenues of \$470,842 and operating expenses of \$1,034,221. Operating revenues and expenses represented 95 percent of the total revenues and expenses.
- The Academy had an operating loss of \$563,379 and \$23,741 of the operating loss was funded by non-operating federal grants. The Academy was able to fully utilize the federal grant allocations for fiscal year 2008.

Key financial highlights for the period of October 1, 2006 to June 30, 2007 are as follows:

- In total, net assets were a deficit of \$315,522 at June 30, 2007. A decrease of \$83,635 from the period ended September 30, 2006.
- The Academy no operating revenues and operating expenses totaled of \$ 35,248.
- The Academy operating loss of \$35,248 was due to the Academy incurring operating expenses such as advertising and other costs associated with resuming operations for fiscal year 2008.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Overview of the Financial Statements

Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Assets. The Statement of Net Assets represents the statement of position of the Academy. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets. The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs. Finally, the Notes to the Basic Financial Statements provide additional information that is essential to full understand the data provided on the basic financial statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND
THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
UNAUDITED
(Continued)

Financial Analysis of the Academy as a Whole

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

The following table represents the Academy's Statement of Net Assets:

	<u>June 30,</u> <u>2008</u>	<u>October 1,</u> <u>2006 to</u> <u>June 30,2007</u>	<u>September 30,</u> <u>2006 (Restated)</u>
<u>Assets:</u>			
Current Assets	\$19,660	\$19,597	\$42,438
Capital Assets, Net	147,666	96,062	107,094
Total Assets	<u>167,326</u>	<u>115,659</u>	<u>149,532</u>
<u>Liabilities:</u>			
Current Liabilities	1,049,480	397,921	316,998
Noncurrent Liabilities	32,769	33,260	64,421
Total Liabilities	<u>1,082,249</u>	<u>431,181</u>	<u>381,419</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	73,986	21,948	5,842
Restricted for Other Purposes	55	0	0
Unrestricted	(988,964)	(337,470)	(237,729)
Total Net Assets (Deficit)	<u>(\$914,923)</u>	<u>(\$315,522)</u>	<u>(\$231,887)</u>

Results of fiscal year 2008 indicate an ending net asset deficit of \$914,923, a decrease of \$599,401 from period ended 2007. The decrease is the result of enrollment challenges resulting from delayed facility opening complications. The Academy operated out of temporary modular structures while financing for construction of a new site was being arranged. Subsequent to year end, financing has been obtained and construction has begun on a new school facility. The temporary modular structures continue to be used during the 2009 fiscal year and the temporary facility is currently operating with 132 students. Management believes that although it appears that the Academy will have a decrease in net assets for fiscal year 2009, when the students return to a permanent structure in the fall of 2009, enrollment should be at or near capacity which would allow the Academy to generate annual surpluses to recover from reopening.

The initial losses are typical for a new Academy which may not achieve positive net assets until the third or fourth year of operations due to significant start-up costs.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND
THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
UNAUDITED
(Continued)

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

	Year Ended June 30, 2008	October 1, 2006 to June 30, 2007	Three Months Ended September 30, 2006 (Restated)
<u>Operating Revenues:</u>			
Foundation	\$448,823	\$0	\$68,647
Charges for Services	22,019	0	2,497
<u>Nonoperating Revenues:</u>			
Federal and State Restricted Grants	23,741	1,310	1,393
Proceeds from Sale of Books and Supplies	0	22,551	0
Total Revenues	<u>494,583</u>	<u>23,861</u>	<u>72,537</u>
<u>Operating Expenses:</u>			
Building	76,286	0	6,940
Purchased Services	820,491	11,058	42,849
Depreciation	22,943	14,933	4,978
General Supplies	87,976	2,314	1,307
Other Operating Expenses	26,525	6,943	4,392
<u>Nonoperating Expenses:</u>			
Refund of State Foundation Monies Received	0	60,000	0
Interest Expense	59,763	12,248	0
Total Expenses	<u>1,093,984</u>	<u>107,496</u>	<u>60,466</u>
Change in Net Assets	<u>(599,401)</u>	<u>(83,635)</u>	<u>12,071</u>
Net Assets (Deficits) at beginning year	<u>(315,522)</u>	<u>(231,887)</u>	<u>12,071</u>
Net Assets (Deficits) at year end	<u>(\$914,923)</u>	<u>(\$315,522)</u>	<u>(\$231,887)</u>

For the period October 1, 2006 to June 30, 2007, the Academy suspended operations while it sought a suitable site and facility. Furthermore, during this period, the Academy refunded \$60,000 to the Ohio Department of Education for 2006-07 estimated state funding paid up through the September 2006 decision to suspend the Academy's operations. In May 2007, a suitable site was located. In June 2008, construction began on a new facility on the site. Construction is expected to be completed in early 2009.

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 weight the costs and risks against the enhanced educational opportunities that would be available to students. Based on that analysis, the Board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to generate large economic profits, but rather on a plan that is economically sustainable and 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.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND
THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
UNAUDITED
(Continued)

Budgeting

Unlike other public schools 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

At June 30, 2008, the Academy had \$147,666 (net of accumulated depreciation) invested in capital assets. See Note 6 to the basic financial statements for more detail on capital assets.

At June 30, 2008, the Academy had \$73,680 of capital lease obligations for technology and furniture and fixtures outstanding. Of that amount, \$40,911 is due within one year. For further information regarding the Academy's debt, refer to Note 12 to the basic financial statements.

Economic Factors

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

Operations

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

Requests for Information

This financial report is designed to provide 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 Robert Schirhart, Treasurer for Cornerstone Academy, 3333 Chippewa Street, Columbus, Ohio 43204.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>2008</u>
Assets:	
Current Assets:	
Cash	\$6,379
Intergovernmental Receivable	12,118
Prepaid Expense	1,163
Total Current Assets	<u>19,660</u>
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>147,666</u>
Total Assets	167,326
Liabilities:	
Current Liabilities:	
Accounts Payable, Trade	134,327
Accounts Payable, Related Party	873,583
Accrued Liabilities	659
Current Portion of Long-Term Debt	40,911
Total Current Liabilities	<u>1,049,480</u>
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Debt	<u>32,769</u>
Total Liabilities	1,082,249
Net Assets:	
Invested in Capital Assets, Net of Related Debt	73,986
Restricted Net Assets	55
Unrestricted Net Assets	<u>(988,964)</u>
Total Net Assets	<u><u>(\$914,923)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>2008</u>
Operating Revenues:	
Community School Foundation	\$448,823
Charge for Services	22,019
Total Operating Revenues	<u>470,842</u>
Operating Expenses:	
Building	76,286
Purchased Services	820,491
Depreciation	22,943
General Supplies	87,976
Other Operating Expenses	26,525
Total Operating Expenses	<u>1,034,221</u>
Operating Loss	(563,379)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	23,741
Interest Expense	(59,763)
Net Nonoperating Revenues and Expenses	<u>(36,022)</u>
Change in Net Assets	(599,401)
Net Assets Beginning of Year	<u>(315,522)</u>
Net Assets End of Year	<u><u>(\$914,923)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	2008
Cash Flows From Operating Activities:	
Foundation Receipts	\$392,454
Charge for Services	22,018
Cash Payments to Suppliers for Goods and Services	(285,684)
Net Cash Provided by Operating Activities	128,788
 Cash Flows From Noncapital Financing Activities	
Federal and State Grant Receipts	11,676
Net Cash Provided by Noncapital Financing Activities	11,676
 Cash Flows From Capital and Related Financing Activities	
Short-Term Financing Payments	(49,805)
Cash Paid for Leasehold Improvements	(30,883)
Capital Lease Interest Payments	(9,299)
Capital Lease Principal Payments	(44,098)
Net Cash Used for Capital and Related Financing Activities	(134,085)
 Net Increase in Cash and Cash Equivalents	 6,379
 Cash - Beginning of Year	 0
 Cash - End of Year	 \$6,379

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating Loss	(\$563,379)
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**Adjustments to Reconcile Operating Loss to Net Cash Provided
By Operating Activities**

Depreciation	22,943
Changes in Assets and Liabilities:	
Increase in Receivables	(52)
Decrease in Prepaid Expense	18,434
(Decrease) Increase in Accounts Payable, Trade	80,777
Increase in Accounts Payable, Related Party	587,991
Decrease in Deferred Revenue	(17,926)
Net Cash Provided by Operating Activities	\$128,788

Non-Cash Activities

"During the fiscal year, the Academy entered into a \$43,664 lease for computer technology and furniture and equipment. See Note 6

See accompanying notes to the basic financial statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	2007
Assets:	
Current Assets:	
Prepaid Expense	\$19,597
Total Current Assets	19,597
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	96,062
Total Assets	115,659
Liabilities:	
Current Liabilities:	
Accounts Payable, Trade	53,550
Accounts Payable, Related Party	285,592
Deferred Revenue	17,926
Current Portion of Long-Term Debt	40,853
Total Current Liabilities	397,921
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Debt	33,260
Total Liabilities	431,181
Net Assets:	
Invested in Capital Assets, Net of Related Debt	21,948
Unrestricted Net Assets	(337,470)
Total Net Assets	(\$315,522)

See Accompanying Notes to the Basic Financial Statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007**

	2007
Operating Revenues:	
Community School Foundation	\$0
Charge for Services	0
Total Operating Revenues	0
Operating Expenses:	
Purchased Services	11,058
Depreciation	14,933
General Supplies	2,314
Other Operating Expenses	6,943
Total Operating Expenses	35,248
Operating Loss	(35,248)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	1,310
Proceeds from Sale of Books and Supplies	22,551
Refund of State Foundation Money Received	(60,000)
Interest Expense	(12,248)
Net Nonoperating Revenues and Expenses	(48,387)
Change in Net Assets	(83,635)
Net Assets Beginning of Year (Restated)	(231,887)
Net Assets End of Year	(\$315,522)

See Accompanying Notes to the Basic Financial Statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007**

	2007
Cash Flows From Operating Activities:	
Cash Payments to Suppliers for Goods and Services	\$61,976
Net Cash Provided by Operating Activities	61,976
Cash Flows From Noncapital Financing Activities	
Refund of Foundation Receipts	(60,000)
Proceeds from Sale of Books/Supplies	22,551
Federal and State Grant Receipts	1,310
Net Cash Used for Noncapital Financing Activities	(36,139)
Cash Flows From Capital and Related Financing Activities	
Short-Term Financing Payments	789
Cash Paid for Leasehold Improvements	(3,900)
Capital Lease Interest Payments	(13,037)
Capital Lease Principal Payments	(27,140)
Net Cash Used for Capital and Related Financing Activities	(43,288)
Net Decrease in Cash and Cash Equivalents	(17,451)
Cash - Beginning of Year	17,451
Cash - End of Year	\$0
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	(\$35,248)
 Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation	14,933
Changes in Assets and Liabilities:	
Increase in Receivables	0
Decrease in Prepaid Expense	5,390
(Decrease) Increase in Accounts Payable, Trade	(59,715)
Increase in Accounts Payable, Related Party	136,616
Decrease in Deferred Revenue	0
Net Cash Provided by Operating Activities	\$61,976

See accompanying notes to the basic financial statements.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007**

Note 1 – Description of the Academy

The Cornerstone Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten, Grade 1, Grade 2, Grade 3, Grade 4, and Grade 5. 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 operation of the Academy.

The Academy was approved for operation under contract with the Ohio State Board of Education commencing on July 1, 2000. The Academy began the 2005-2006 fiscal year under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operates under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees for any for-profit firm that operates or manages an 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 qualification of teachers.

The Academy contracts with Mosaica Education, Inc., for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities (See Note 14).

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 also 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 has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The Academy's more significant 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 enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus

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 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.

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. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 Rev. Code Chapter 5705, unless specifically provided in 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

Cash held by the Academy is reflected as "Cash" on the statement of net assets. The Academy had no investments during the year ended June 30, 2008 or the period October 1, 2006 to June 30, 2007.

F. Capital Assets and Depreciation

The Academy's capital assets during the year ended June 30, 2008 and the period October 1, 2006 to June 30, 2007 consisted of computers and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

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

<u>Description</u>	<u>Useful Life</u>
Furniture, Fixtures, and Equipment	5-20 Years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 purpose for which both restricted and unrestricted net assets are available. At June 30, 2008, the Academy reported \$55 of restricted net assets that was a result of unspent grant proceeds and \$73,986 net assets invested in capital assets net of related debt.

H. Operating Revenues and Expenses

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

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompany notes. Actual results may differ from those estimates.

J. Economic Dependency

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

Note 3 – Accounting Change

For the period ended September 30, 2006, the Academy posted an audit adjustment to accrue management fees and state foundation receipts that they never paid or received. The net effect of these accruals on net assets as of September 30, 2006 was \$4,282. This results in the beginning net assets for October 1, 2006 being (\$231,887).

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 4 - Deposits

Custodial Credit Risk - is the risk that in the event of 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, 2008, the carrying value of the Academy's deposits totaled \$6,379 and the bank balance totaled \$8,584. The entire bank balance is covered by Federal Depository Insurance Corporation (FDIC). The Academy has no investments at year end.

For the period October 1, 2006 to June 30, 2007, the carrying value of the Academy's deposits totaled \$0 and the bank balance totaled \$12. The bank balance was covered by the Federal Depository Insurance.

Note 5 – Receivables

At June 30, 2008, the Academy had intergovernmental receivables, in the amount of \$12,118. The receivables are expected to be collected within one year. There were no receivables at June 30, 2007.

Grant	Amount
Title I	\$4,020
Title IV	150
IDEA Part B	6,768
Child Nutrition Program	1,128
State Foundation Adjustment	52
Total Intergovernmental Receivable	\$12,118

Note 6 – Capital Assets

Capital Asset activity at June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Non-Depreciable Capital Assets				
CIP - Leasehold Improvements	3,900	30,883	0	34,783
Depreciable Capital Assets				
Computer Technology	80,393	16,995	0	97,388
Furniture & Equipment	38,315	26,669	0	64,984
Total at Historical Cost	122,608	74,547	0	197,155
Accumulated Depreciation				
Computer Technology	(21,437)	(17,779)	0	(39,216)
Furniture & Equipment	(5,109)	(5,164)	0	(10,273)
Capital Assets, Net	96,062	51,604	0	147,666

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 7 – Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Academy contracted with Brown & Brown of Marmora through Hartford for property and general liability insurance. The policy calls for general liability coverage of \$1,000,000 single occurrence limit and \$2,000,000 aggregate. The Academy also carried excess/umbrella liability coverage of \$5,000,000.

B. Workers' Compensation

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

C. Other Employee Benefits

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

Note 8 – Purchased Services

For fiscal year ended June 30, 2008, and the period October 1, 2006 to June 30, 2007, purchased service expenses were for the following services:

<u>2008</u>	<u>June 30, 2007</u>
560,622	-
82,336	-
12,872	-
25,195	-
77,006	-
18,089	-
13,733	-
30,638	11,058
<u>820,491</u>	<u>11,058</u>

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 9 – Defined Benefit Pension Plans

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

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determine 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 2008, 9.16 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, 2008, 2007, and 2006 were \$8,602, \$224, and \$3,490 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on the final average salary times a percentage that varies based on years of service, or an allowance based on 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.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 9 – Defined Benefit Pension Plans (Continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elected 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 Plane, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefits. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed the 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, 2008, 2007 and 2006 were \$43,888, \$1,379, and \$14,914 respectively; 100 percent has been contributed for the fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for the fiscal year 2008 were \$0 made by the Academy and \$0 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2008, none of the Academy staff have elected Social Security.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 10 – Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily require 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 2008, 4.18 percent of covered payroll was allocated to health care.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,925, \$0, and \$1,887 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contribution for the Medicare Part B for the fiscal year ended June 30, 2008 was \$619; 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System

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

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 10 – Postemployment Benefits (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, 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 fiscal years ended June 30, 2008, 2007 and 2006 were \$3,376, \$106, and \$7,160 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 11 – Contingencies

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of fund received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008 or June 30, 2007.

Note 12 – Capital Lease-Lessee Disclosure

The Academy entered into one lease agreement in fiscal year 2008 with Irwin Company for technology equipment (computers). These assets were considered non-cash transactions on the statement of cash flows. The Academy's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases". The technology equipment has been capitalized in the amount of \$112,373, the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments are as follows for June 30, 2008:

<u>Year Ending</u> <u>June 30</u>	<u>Technology</u>
2009	\$43,912
2010	10,654
2011	10,654
2012	10,654
2013	<u>4,074</u>
Total future minimum lease payments	79,948
Less: Amount representing interest	<u>(6,268)</u>
Present Value of future minimum lease payemnts	<u>\$73,680</u>

A liability for capital lease obligations in the amount of \$73,680 is reported on the Statement of Net Assets for the fiscal year ended June 30, 2008. Of this amount, \$40,911 is a current liability due within one year and \$32,769 is a long-term liability due in more than one year.

In addition, the Academy paid \$27,140 of the capital lease payments during the period October 1, 2006 to June 30, 2007. A liability for capital lease obligations in the amount of \$74,113 is reported on the Statement of Net Assets. Of this amount, \$40,853 was a current liability due within one year and \$33,260 was a long-term liability due in more than one year.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 13 – Tax Exempt Status

The Academy completed their application for tax-exempt status under 501(c)3 of the Internal Revenue Code on May 11, 2000 and was approved for tax-exempt status on October 31, 2000. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

Note 14 – Related Party Transactions/Management Company

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

Per the management agreement with the Academy, Mosaica Education is entitled to a management fee that is equivalent to 12.5% of the Academy's revenues. The management fee for the periods ending June 30, 2008 and June 30, 2007 were \$61,671 and \$0, respectively.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries of Mosaica Education, inc. for employees working at the Academy, and other costs related to providing educational and administrative services.

At June 30, 2008, the Academy had payables to Mosaica Education in the amount of \$873,583 and at June 30, 2007, the Academy had payables to Mosaica Education in the amount of \$285,592.

The following is a schedule of all expenses billed by Mosaica Education, Inc. as of the fiscal year ended June 30, 2008 and the period October 1, 2006 to June 30, 2007:

	June 30, 2008	June 30, 2007
Payroll	594,167	63,708
Management Fee	54,402	11,058
Expense Reimbursements	175,638	209,570
Interest/Finance Charges	49,376	1,256
Total	<u>873,583</u>	<u>285,592</u>

Board members for the Academy are also Board members for other Mosaica Education Schools.

Note 15 – School 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. As part of this contract, the Sponsor is entitled to a maximum of 1% of the total state funds. Total amount due and paid for year ended June 30, 2008 and the period October 1, 2006 to June 30, 2007 was \$13,733 and \$0, respectively.

The Sponsor placed the Academy on suspension status on September 10, 2006 due to the Academy changing locations without approval from the Sponsor. The Academy has corrected this problem and was removed from suspension status on September 20, 2007.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008 AND
FOR THE PERIOD OCTOBER 1, 2006 TO JUNE 30, 2007
(Continued)**

Note 16 – Management’s Plan

At June 30, 2008, the Academy had a net asset deficit of \$914,923. As further discussed in Note 14, a significant portion of that net asset deficit is being funded by the payable of \$873,583 to Mosaica Education.

The Academy is anticipating an additional increase in the net assets deficit balance for 2008-09 fiscal year due to limited space available in the modular classrooms that are being utilized until additional classroom space becomes available.

The Academy, with financial backing from its management company, has approved the construction of a permanent facility to replace the temporary modular structures currently being used. As January 31, 2009, funded enrollment for the Academy was 147 students, up from 87 as of June 30, 2008. The first phase of the new facility construction (19 classroom, offices and gym) is expected to be complete in the spring of 2009. Once construction is complete, management believes that, with a facility designed for educating children, strong community reputation for academic achievement and active advertising via print, radio, mailings, and parent referrals, the Academy is in a strong position to maintain enrollment at or near capacity, allowing the school to generate annual surpluses that will, over time, allow a recovery from the existing cumulative deficits. The Academy’s cash balance as of February 11, 2009 was \$3,971 and the 2009 budget projects a \$5,000 positive cash balance at June 30, 2009.

Note 17 – Subsequent Events

Subsequent to fiscal year end, the Academy’s landlord, Mosaica Columbus, LLC, has obtained the necessary financing to move forward with a permanent facility construction for the Academy. Construction is expected to be completed in early 2009 and once completed, the Academy will lease the building from Mosaica Columbus, LLC.

The lease agreement signed on September 8, 2008 set the annual lease payments at \$550,000 (adjusted for CPI each year) for 15 years, due in monthly installments. The Academy will also be responsible for paying utilities, real estate taxes, making all repairs, maintaining and providing insurance for the premises. If the Academy is not able to make the rent payments, interest will be charged at 12% per annum.

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Mary Taylor, CPA

Auditor of State

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

Cornerstone Academy
Franklin County
3333 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

We have audited the basic financial statements of Cornerstone Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2008 and for the period October 1, 2006 to June 30, 2007, and have issued our report thereon dated February 11, 2009, wherein we noted the Academy has been released from suspension status and has suffered recurring losses from operations and has a net asset deficiency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the Academy's management in a separate letter dated February 11, 2009.

Compliance and Other Matters

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

We intend this report solely for the information and use of the management, Board of Directors, and St. Aloysius Orphanage. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 11, 2009

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	SAS 112 Reporting	Yes	Fully Corrected
2006-002	Compliance with Sponsorship Agreement	Yes	Fully Corrected



Mary Taylor, CPA
Auditor of State

CORNERSTONE ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2009**