



Dave Yost • Auditor of State

**PINNACLE ACADEMY
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2011**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pinnacle Academy
Cuyahoga County
860 E. 222nd Street
Cleveland, OH 44123

To the Board of Directors:

We have audited the accompanying basic financial statements of Pinnacle Academy, Cuyahoga 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 opinions on these financial statements based on our audit. We did not audit the contract service fees incurred by the Academy which totaled \$6,566,421 as indicated in Note 10 to the basic financial statements. Other auditors audited these amounts and have furnished their report thereon to us and we base our opinion, insofar as it related to the amounts included in Note 10, on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pinnacle Academy, Cuyahoga County, Ohio, as of June 30, 2011, and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditure 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 expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 19, 2012

PINNACLE ACADEMY CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011 – unaudited

The discussion and analysis of Pinnacle Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities through June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

For the fiscal year ended June 30, 2011, total assets were \$487,664, total liabilities were \$455,738, and total net assets were \$31,926.

Using this Financial Report

This report consists of three parts, the MD&A, the financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 – unaudited (continued)**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The Academy has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

The table below provides a summary of the Academy's net assets for fiscal years ended June 30:

	2011	2010
Assets:		
Current assets	\$ 485,822	\$ 702,569
Capital assets, net of accumulated depreciation	<u>1,842</u>	<u>11,126</u>
Total assets	487,664	713,695
Liabilities—current	<u>455,738</u>	<u>677,811</u>
Net assets:		
Invested in capital assets	1,842	11,126
Unrestricted	<u>30,084</u>	<u>24,758</u>
Total net assets	<u>\$ 31,926</u>	<u>\$ 35,884</u>

The unrestricted net assets represent the accumulated results of the Academy's operations to date. These assets can be used to finance day to day operations without constraints, such as legislative or legal requirements. The results of the current year operations for the Academy as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets, which shows the change in net assets.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 – unaudited (continued)**

Statement of Revenues, Expenses and Changes in Net Assets

The table below shows the changes in net assets as well as a listing of revenues and expenses for the fiscal years ending June 30:

	2011	2010
Operating revenues:		
Foundation payments	\$ 4,425,621	\$ 4,669,743
Food services	22,746	25,993
Other revenues	1,077	2,203
Total operating revenues	<u>4,449,444</u>	<u>4,697,939</u>
Operating expenses:		
Contracted service fee	6,566,421	6,629,627
Depreciation	9,284	15,468
Total operating expenses	<u>6,575,705</u>	<u>6,645,095</u>
Operating loss	(2,126,261)	(1,947,156)
Nonoperating revenues:		
Federal grants	1,500,198	1,931,506
State grants	12,883	12,104
Private sources—NHA	609,222	-
Total nonoperating revenues	<u>2,122,303</u>	<u>1,943,610</u>
Change in net assets	<u>\$ (3,958)</u>	<u>\$ (3,546)</u>

As reported in the Statement of Revenues, Expenses and Changes in Net Assets, the cost of business activities was \$6,575,705. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. *Revenues—Private sources —NHA* represent a credit granted by NHA for the excess of Academy expenses over public revenues available.

The Academy experienced a decrease in net assets of 3,958 in 2011. Under the terms of the agreement with NHA, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net assets is the timing of these discretionary expenditures.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 – unaudited (continued)**

Capital Assets—At June 30, 2011, the Academy had \$1,842 invested in capital assets with purchases through the Charter School Grant, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2012.

Contacting the Academy's Financial Management

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

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

CURRENT ASSETS:

Cash	\$ 30,089
Intergovernmental receivable	455,733
Total current assets	<u>485,822</u>

NON-CURRENT ASSETS:

Capital assets	68,144
Less: accumulated depreciation	<u>(66,302)</u>
Total non-current assets	<u>1,842</u>

Total assets	<u>487,664</u>
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LIABILITIES:

Deferred revenue	1,065
Contracted service fee payable	<u>454,673</u>

Total liabilities	<u>455,738</u>
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NET ASSETS:

Invested in capital assets	1,842
Unrestricted	<u>30,084</u>
Total net assets	<u>\$ 31,926</u>

See notes to financial statements.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

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

OPERATING REVENUES:	
Foundation payments	\$ 4,425,621
Food services	22,746
Other revenues	<u>1,077</u>
Total operating revenues	<u>4,449,444</u>
OPERATING EXPENSES:	
Depreciation	9,284
Contracted service fee	<u>6,566,421</u>
Total operating expenses	<u>6,575,705</u>
OPERATING LOSS	<u>(2,126,261)</u>
NONOPERATING REVENUES:	
Federal grants	1,500,198
State grants	12,883
Private sources—National Heritage Acadmies, Inc.	<u>609,222</u>
Total nonoperating revenue	<u>2,122,303</u>
CHANGE IN NET ASSETS	(3,958)
NET ASSETS—Beginning of year	<u>35,884</u>
NET ASSETS—End of year	<u>\$ 31,926</u>

See notes to financial statements.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$ 4,472,108
Cash received from food services	22,746
Cash received from other operating revenue	1,077
Cash paid on behalf of the Academy for goods and services	<u>(6,788,350)</u>
Net cash used for operating activities	<u>(2,292,419)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	1,675,639
State grants received	12,883
Support from private sources - National Heritage Academies, Inc.	<u>609,222</u>
Net cash provided by noncapital financing activities	<u>2,297,744</u>

NET DECREASE IN CASH	5,325
CASH—Beginning of year	<u>24,764</u>
CASH—End of year	<u>\$ 30,089</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES:

Operating Loss	\$ (2,126,261)
Depreciation	9,284
Changes in Assets and Liabilities—	
Change in due to National Heritage Academies, Inc	(221,929)
Change in state receivable	<u>46,487</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (2,292,419)</u>

See notes to financial statements.

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**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

1. NATURE OF OPERATIONS

Pinnacle Academy (the “Academy”) is an Ohio Public School Academy which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates under an approved charter received from Lucas County Educational Service Center (“LCESC” or the “Sponsor”), which is responsible for oversight of the Academy’s operations. The charter’s term ended on May 30, 2011 and automatically renewed on a year-to-year basis, and will continue to, unless at least 90 days written notice is given by either the Academy or LCESC. The Academy provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy was established and is operated as a non-profit corporation under Chapter 1702 of the Ohio Revised Code and believes itself to be exempt from taxation under Internal Revenue Code Section 115(1) because its income is derived from the exercise of an essential governmental function and accrues to the State of Ohio. Donations to the Academy qualify as a charitable deduction under Internal Revenue Code Section 170(c)(1).

The Academy’s primary source of revenue is provided by the State of Ohio and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July through June for each fiscal year.

The Academy operates under the direction of a Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board has entered into a services agreement (the “agreement”) with National Heritage Academies, Inc. (“NHA”) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The facility lease term is from July 1st to June 30th and is renewable on a year to year basis. The agreement will automatically renew on a year-to-year basis, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. NHA provides a spending account to the Board for discretionary expenses on an annual basis. *Revenues—private sources—National Heritage Academies, Inc.* represent a contribution granted by NHA for the excess of Academy expenses over public revenues available.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 ("FASB") statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements or 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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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 (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprises activities.

C. Basis of Accounting

Basis of Accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching 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.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

E. Estimates

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

F. Cash Deposits

For cash management, all cash received by the Chief Financial Officer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying Statement of Net Assets. Cash as of June 30, 2011, represents bank deposits, which are covered by federal depository insurance.

G. Capital Assets

Capital assets, which include other equipment, are reported in the government-wide financial statements at historical cost. Capital assets are defined as other equipment purchased through the Charter School Grant with an estimated useful life in excess of one year and assets purchased by the Academy with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

H. Contracted Service Fee Payable

Due to National Heritage Academies, Inc.—this amount consists of payments due to NHA for management services rendered in fiscal year 2011.

I. Operating Revenues and Expenses

Intergovernmental Revenues—the Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid ("DPIA") Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements are recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is 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.

J. 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 constitutional provisions or enabling legislation adopted through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At fiscal year end June 30, 2011, the Academy had no restricted net assets.

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2011, the Academy's bank balance was \$31,250. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2011, none of the bank balance was exposed to custodial risk as discussed below, all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Bank or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

4. RECEIVABLES

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

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

4. RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	Amounts
Title I	\$ 180,375
Title I School Improvement	27,426
Title IIA	19,322
Title IID	4,283
Title I ARRA	40,261
Title I SIP ARRA	53,210
IDEA ARRA	38,614
Race to the Top	73,303
National School Lunch and Breakfast	11,848
Due from State	<u>7,091</u>
Total governmental activities capital assets, net	<u><u>\$ 455,733</u></u>

5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities—				
Other equipment	\$ 68,144	\$ -	\$ -	\$ 68,144
Total capital assets at historical cost	68,144	-	-	68,144
Less accumulated depreciation—				
Other equipment	<u>(57,018)</u>	<u>(9,284)</u>	<u>-</u>	<u>(66,302)</u>
Total accumulated depreciation	<u>(57,018)</u>	<u>(9,284)</u>	<u>-</u>	<u>(66,302)</u>
Total business-type activities capital assets, net	<u><u>\$ 11,126</u></u>	<u><u>\$ (9,284)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,842</u></u>

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System—NHA, on behalf of certain employees at the Academy, contributes to the School Employees Retirement System ("SERS"), a cost-sharing multiple-employer defined benefit 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan members are required to contribute 10 percent of their annual covered salary and NHA is required to contribute at an actuarially determined rate. The current NHA rate is 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 the 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 Part B Funds. NHA's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009, were \$42,050, \$32,897, and \$19,045, respectively; and 100 percent was contributed for each fiscal year.

B. State Teachers Retirement System—NHA, on behalf of teachers at 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 St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan members are required to contribute 10 percent of their annual covered salaries. NHA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. NHA's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009, were \$237,180, \$235,835, and \$238,023 respectively; 100 percent was contributed for each fiscal year.

7. POST-EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through STRS Ohio and to retired, non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2011, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,245, \$18,141 and \$18,309, respectively; 100 percent was contributed for each fiscal year.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2010 (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2010, net health care costs paid by STRS Ohio were approximately \$370.1 million and STRS Ohio had 133,103 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

The SERS Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 0.76%. The Academy's contributions to Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$5,100, \$1,956 and \$1,571, respectively, 100 percent was contributed in each fiscal year.

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 § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$4,812, \$3,896, and \$11,904 respectively.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

8. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Indiana Insurance Company. General liability coverage provides \$1,000,000 per occurrence and \$5,000,000 in the aggregate with no deductible. The Indiana Insurance Company also provides umbrella liability coverage of \$1,000,000 per occurrence, as well as, in the aggregate. There have been no significant reductions in insurance coverage during fiscal year 2011, and claims did not exceed coverage during the past three fiscal years.

9. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in the State funding being adjusted. The Academy does not anticipate any material adjustments to State funding for fiscal year 2011, as a result of such a review.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

10. CONTRACTED SERVICE FEE

NHA incurred the following actual direct and indirect expenses on behalf of the Academy for the year ended June 30, 2011:

Direct Expenses:

Salaries, wages and benefits	\$ 2,983,024
Professional and technical services	583,643
Contracted (trade) services	21,015
Property services	1,227,259
Books, periodicals and films	39,343
Supplies	203,364
Utilities	94,799
Food and related supplies	360,984
Travel and training	67,273
Purchased service	66,582
Equipment lease and purchases	203,564
Field trips and student activities	11,515
Insurance and property taxes	7,638
Total Direct Expenses	<u>5,870,003</u>
Total Indirect Expenses (Overhead)	696,418
Total Contracted Service Fee	<u><u>\$ 6,566,421</u></u>

NHA charges expenses benefiting more than one school (i.e. indirect overhead expenses) based on key cost drivers. These charges represent indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

11. SPONSORSHIP AGREEMENT

The Academy entered into a sponsorship agreement with the LCESC. This agreement provides that LCESC receives approximately one and a halfpercent of State Foundation funds received by the Academy from the State of Ohio. This amounted to \$66,582 for fiscal year 2011.

**PINNACLE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

12. OPERATING LEASE

The Academy has entered into a sub-lease agreement with National Heritage Academies for a facility to house the Academy. The lease term is from July 1, 2010 through June 30, 2011. Annual rental payments required by the lease are \$953,280, payable in twelve monthly payments of \$79,440. This lease is renewable on a year to year basis.

The Academy subsequently renewed the sub-lease with National Heritage Academies effective July 1, 2011 for the period of July 1, 2011 through June 30, 2012 at the same annual rental.

The Academy did not pay any property taxes related to the facility during fiscal 2011.

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**PINNACLE ACADEMY
CUYAHOGA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Breakfast Program	2010	10.553	\$3,762	\$0	\$0	\$0
National School Breakfast Program	2011	10.553	86,355	0	86,355	0
Subtotal National School Breakfast Program			90,117	0	86,355	0
National School Lunch Program	2010	10.555	10,592	0	0	0
National School Lunch Program	2011	10.555	221,041	11,502	221,041	11,502
Subtotal National School Lunch Program			231,633	11,502	221,041	11,502
Total Child Nutrition Cluster			321,750	11,502	307,396	11,502
Total U.S. Department of Agriculture			321,750	11,502	307,396	11,502
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education - Grants to States	2011	84.027	138,687	0	138,687	0
ARRA - Special Education - Grants to States	2010	84.391	93,261	0	9,498	0
ARRA - Special Education - Grants to States	2011	84.391	5,672	0	19,991	0
Total Special Education - Grants to States			352,294	0	168,176	0
Title I Grants to Local Education Agencies, Part A	2010	84.010	(10,745)	0	0	0
Title I Grants to Local Education Agencies, Part A	2011	84.010	403,459	0	443,755	0
School Improvement Subsidy A Title I	2010	84.010	47,721	0	11,400	0
School Improvement Subsidy A Title I	2011	84.010	48,304	0	57,407	0
ARRA - Title I Grants to Local Education Agencies, Part A	2010	84.389	24,120	0	6,192	0
ARRA - Title I Grants to Local Education Agencies, Part A	2011	84.389	72,764	0	85,769	0
ARRA - School Improvement Subsidy A Title I	2011	84.389	6,790	0	16,980	0
Total Title I Grants to Local Education Agencies, Part A			592,413	0	621,503	0
Title IID - Education Technology State Grants	2011	84.318	1,097	0	2,911	0
Total Title IID - Education Technology State Grants			1,097	0	2,911	0
Title IIA - Improving Teacher Quality State Grants	2010	84.367	15,085	0	14,633	0
Title IIA - Improving Teacher Quality State Grants	2011	84.367	2,016	0	1,143	0
Total Title IIA - Improving Teacher Quality State Grants			17,101	0	15,776	0
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	377,893	0	377,893	0
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			377,893	0	377,893	0
Race to the Top	2010	84.395	0	0	27,594	0
Total Race to the Top			0	0	27,594	0
Total U.S. Department of Education			1,340,798	0	1,213,853	0
Total Federal Financial Assistance			\$1,662,548	\$11,502	\$1,521,249	\$11,502

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

**PINNACLE ACADEMY
CUYAHOGA 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 Pinnacle Academy's (the Academy's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash 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.

NOTE C – FOOD DONATION PROGRAM

The Academy reports commodities consumed on the Schedule at the fair value.

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The Academy transferred \$10,745 from the 2010 to 2011 Title I Grants to Local Educational Agencies grant.

CFDA – Catalog of Federal Domestic Assistance.



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*

Pinnacle Academy
Cuyahoga County
860 E. 222nd Street
Cleveland, OH 44123

To the Board of Directors:

We have audited the financial statements of the business type activities of Pinnacle Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 19, 2012. 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*. Other auditors audited the amounts presented in Note 10 in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to the amounts presented in Note 10.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Community School's sponsor, 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, flowing style.

Dave Yost
Auditor of State

March 19, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Pinnacle Academy
Cuyahoga County
860 E. 222nd Street
Cleveland, OH 44123

To the Board of Directors:

Compliance

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

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, Pinnacle Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Community School's sponsor, others within the entity, federal awarding agencies, and pass through entities. It is not intended for anyone 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 "D" and "Y".

Dave Yost
Auditor of State

March 19, 2012

**PINNACLE ACADEMY
CUYAHOGA 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):	Nutrition Cluster – CFDA 10.553 and 10.555 Special Education – Grants to States – CFDA 84.027 and 84.391 (ARRA) State Fiscal Stabilization Fund – CFDA # 84.394 (ARRA)
<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?	Yes

**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

Pinnacle Academy
Cuyahoga County
860 E. 222nd Street
Cleveland, OH 44123

To the Board of Education:

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 Pinnacle Academy (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.

We noted the Academy amended its anti-harassment policy at its meeting on June 4, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

March 19, 2012

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PINNACLE ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2012**