ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Arts and Science Preparatory Academy
Cuyahoga County
2711 Church Avenue
Cleveland, OH 44113

To the Board:

We have audited the accompanying basic financial statements of Arts and Science Preparatory 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 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 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 Arts and Science Preparatory Academy, Cuyahoga County, Ohio, as of June 30, 2011, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the financial statements, the Academy's deficit net assets ($1,334,651) and operating loss ($975,634) raise substantial doubt about its ability to continue as a going concern. Note 16 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 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.

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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 revenues and expenses 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 revenues and expenses 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

Dave Yost
Auditor of State

March 6, 2012

The discussion and analysis of the Arts and Science Preparatory Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its sixth year of operations during fiscal year 2011 serving Kindergarten through eighth grade. Enrollment varied during fiscal 2011 but finished the year with 197 students.

Key highlights for fiscal year 2011 are as follows:

- Net assets decreased $299,363.
- Operating expenses accounted for $2,367,362 of the total expenses of $2,497,303.
- Operating revenues accounted for $1,391,728 of the total revenues of $2,197,940.
- Academy had an operating loss of $975,634 and $806,212 of the operating loss was alleviated by non-operating federal grants. The Academy was able to utilize the majority of the Federal Grant allocations for fiscal year 2011. Use of the Federal Education Jobs Funds was delayed until the 2011-12 fiscal year.

Overview of the Financial Statements

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

Financial Analysis of the Academy as a Whole

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

The following tables represent a summary of the Academy's condensed financial information for 2011 derived from the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets.

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

Table 1
Net Assets

	2011	2010	Change
Assets:			
Current Assets	$273,958	$158,134	$115,824
Capital Assets	48,811	67,051	(18,240)
Total Assets	322,769	225,185	97,584
Liabilities:			
Current Liabilities	307,329	1,260,473	(953,144)
Long-Term Liabilities	1,350,091	0	1,350,091
	1,657,420	1,260,473	396,947
Net Assets:			
Invested in Capital Assets, Net of Related Debt	48,811	67,051	(18,240)
Restricted for Other Purposes	23,705	0	23,705
Unrestricted	(1,407,167)	(1,102,339)	(304,828)
Total Net Assets	($1,334,651)	($1,035,288)	($299,363)

Total net assets decreased $299,363. The cause of the decrease was primarily related to the unexpected decline in enrollment from 2009-10 to 2010-11 and the Board's desire to continue to offer programming that would be attractive to the families of the area and to offer services and student staff ratios necessary to accelerate learning of students faster than the traditional single grade level gains. The goal of this investment is to grow enrollment to be closer to the capacity of the facility at which point the Academy would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. In previous years, the Academy made significant progress towards this goal. Enrollment at the fiscal year ends 2011, 2010 and 2009 were 197, 208 and 157, respectively. Enrollment in Fall 2011 is 203. The student capacity at its current facility is 400. Current liabilities decreased $953,144, while long-term liabilities increased $1,350,091 due to the conversion of a large portion of the related party payable to a note payable in 2011.

Based on the analysis that was done at the time the decision was made to open the Academy, the Board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to generate economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families. The Academy is experiencing the growth anticipated and we believe is on track to begin recovering from the investment that was made in the first six years of operations. Resources for the necessary programs have been made available by delaying payment on invoices from the Academy's management company for management services, other operating expenses and employee payroll, which took the form of a note payable for $1,350,091 of the payables in 2011.

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

Table 2
Change in Net Assets

	2011	2010	Change
Operating Revenues:			
Foundation	$1,389,985	$1,434,011	($44,026)
Charges for Services and Miscellaneous	1,743	12,323	(10,580)
Non-Operating Revenues:			
Federal/State Restricted Grants	806,212	728,434	77,778
Total Revenues	$2,197,940	$2,174,768	$23,172
Operating Expenses:			
Building	276,309	245,768	30,541
Purchased Services	1,953,885	1,696,677	257,208
Depreciation	18,240	20,945	(2,705)
General Supplies	99,753	120,846	(21,093)
Other Operating Expense	19,175	18,825	350
Non-Operating Expenses:			
Interest	129,941	93,414	36,527
Total Expenses	$2,497,303	$2,196,475	$300,828
Total Increase (Decrease) in Net Assets	($299,363)	($21,707)	($277,656)

The fiscal year 2011 decrease in revenues is primarily due to a decrease in enrollment. The increase in expenses is primarily related to additional marketing costs and instructional staff support. The ending enrollment in fiscal year 2011 was 197 students compared to 208 at the end of fiscal year 2010. In addition, in fiscal 2009 the Academy took advantage of an opportunity to assume additional space in its facility to accommodate an increase in future enrollment causing an increase in building rent expense.

Budgeting

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the Academy had $48,811 invested in capital assets (net of accumulated depreciation) for computer and other equipment, a decrease of $18,240. The following table shows fiscal year 2011 compared to 2010:

Capital Assets at June 30 (Net of Depreciation)

	2011	2010	Change
Furniture & Equipment	$ 30,082	$ 33,963	$ (3,881)
Computers	1,929	10,688	(8,759)
Leasehold Improvements	16,800	22,400	(5,600)
Capital Assets - net	$ 48,811	$ 67,051	$ (18,240)

The decrease reflects the depreciation expense for the year. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2011, the Academy had $1,350,091 in long term debt outstanding, which represents a promissory note with Mosaica Education, Inc, a related party (See Note 14), to convert a large portion of the related party payable.

The following table summarizes the Academy's debt outstanding as of June 30, 2011:

Outstanding Debt, At Year End

	2011	2010	Change
Promissory Note	$1,350,091	$0	$1,350,091

For further information in the regarding the Academy's debt, refer to Note 17 to the basic financial statements.

Economic Factors

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

Operations

Arts and Science Preparatory Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702. During 2011, the Academy offered education for Ohio children in kindergarten through eighth grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

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 question concerning this report, please contact Brenda Neff, Treasurer for Arts and Science Preparatory Academy, 436 N. Wiley Street, Crestline, Ohio 44827.

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ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:		
Current assets:		
Cash and Cash Equivalents	$	47,218
Account Receivable		521
Intergovernmental Receivable		175,083
Prepaid Expense		51,136
Total current assets		273,958
Noncurrent assets:		
Capital Assets, net of Accumulated Depreciation		48,811
Total noncurrent assets		48,811
Total assets	$	322,769
Liabilities:		
Current liabilities:		
Accounts Payable, Trade	$	146,351
Accounts Payable, Related Party		160,978
Total current liabilities		307,329
Non-current liabilities:		
Notes Payable		1,350,091
Total Non-current liabilities		1,350,091
Total liabilities		1,657,420
Net Assets		
Invested in Capital Assets, Net of Related Debt		48,811
Restricted Net Assets		23,705
Unrestricted Net Assets		(1,407,167)
Total Net Assets	$	(1,334,651)

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

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

Operating Revenues:		
Community School Foundation	$	1,389,985
Charge for Services		1,743
Total Operating Revenues		1,391,728
Operating Expenses:		
Building		276,309
Purchased Services		1,953,885
Depreciation		18,240
General Supplies		99,753
Other Operating Expenses		19,175
Total Operating Expenses		2,367,362
Operating Loss		(975,634)
Nonoperating Revenues and Expenses:		
Federal and State Restricted Grants		806,212
Interest Expense		(129,941)
Net Nonoperating Revenues and Expenses		676,271
Change in Net Assets		(299,363)
Net Assets Beginning of Year		(1,035,288)
Net Assets End of Year	$	(1,334,651)

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation Receipts	$	1,345,408
Charge for Services		1,222
Cash Payments to Suppliers for Goods and Services		(2,071,662)
Net Cash Used for Operating Activities		(725,032)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Short-term Financing Payments		(36,605)
Federal and State Grant Receipts		787,090
Net Cash Provided by Noncapital Financing Activities		750,485
Net Increase in Cash and Cash Equivalents		25,453
Cash and Cash Equivalents - Beginning of the Year		21,765
Cash and Cash Equivalents - Ending of the Year	$	47,218
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(975,634)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation		18,240
Changes in assets and liabilities:		
Decrease in Receivables		(45,098)
Increase in Prepaid Expense		(26,153)
Decrease in Accounts Payable, Trade		88,895
Decrease in Accounts Payable, Related Party		(1,135,373)
Increase in Notes Payable		1,350,091
Net Cash Used for Operating Activities	$	(725,032)

Noncash Noncapital Financing Activity

The Academy entered into a promissory note agreement with Mosaica Education, Inc. for $1,350,091 which transferred a portion of the Academy's Accounts Payable, Related Party balance to Long-term Debt

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School

The Arts and Science Preparatory Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation pursuant to Ohio Revised Code Chapter 3314 under a contract with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 18, 2005 and ending June 30, 2010. Subsequent to June 30, 2010, the contract was extended for an additional 5 academic years ending June 30, 2015. 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 operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an academy for the Governing Board. The Board is responsible for carry out the provisions of the contract that include, but are not limited to, state-mandated provision 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 financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The Statement of Cash Flows reflects how the Academy finances its cash flow needs.

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the Statement of Net Assets. The Academy had no investments during the fiscal year ended June 30, 2011.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2011, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2011 consisted of leasehold improvements, computers and other furniture and 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; however, all assets purchased through debt financing (i.e. leases) are capitalized. 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Description	Useful Lives
Computers	5 years
Furniture, Fixtures, and Equipment	5-20 years
Leasehold Improvements	Life of lease

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by 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 purposes for which both restricted and unrestricted net assets are available.

The Statement of Net Assets reports $23,705 of restricted net assets related to certain unspent federal grant receipts and $48,811 invested in capital assets net of related debt.

I. Operating Revenues and Expenses

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

J. Estimates

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

K. Economic Dependency

The Academy receives approximately 99% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Note 3 – Changes in Accounting Principles

The Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of this statement did not result in any changes in the Academy's financial statements.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balance of the Academy's deposits was $94,278, and the carrying value was $47,218. The bank balance was covered by federal depository insurance, which covers deposits up to $250,000. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2011, the Academy had intergovernmental receivables in the amount of $175,083. The receivables are expected to be collected within one year. During fiscal 2011, the Academy was underpaid $21,934 from the Ohio Department of Education (ODE). This overpayment will be paid in fiscal 2012 in addition to the regular State Foundation funding.

	Amount
Title I ARRA Grant	$109,046
School Counselor Grant	8,828
21st Century Grant	35,275
State Foundation Adjustment	21,934
Total	$ 175,083

Note 6 - Capital Assets

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Computers	$64,901	$0	$0	$64,901
Furniture and Equipment	38,815	0	0	38,815
Leasehold Improvement	28,000	0	0	28,000
Less Accumulated Depreciation	(64,665)	(18,240)	0	(82,905)
Capital Assets, Net	$67,051	($18,240)	$0	$48,811

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy contracted with Pashley Insurance Agency to provide insurance coverage with the Hanover Insurance Company. The types and amounts of coverage provided are as follows:

Note 7 - Risk Management (Continued)

General Liability:	
Each Occurrence	$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Business Personal Property	449,300
Excess/Umbrella Liability:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000

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

Note 8 – Purchased Services

For the fiscal year ended June 30, 2011, purchased service expenses were as follows:

Service	Amount
Personnel	$1,294,900
Staff and Administrative Services	324,713
Food Services	91,836
Building Services	99,368
Student Services	43,244
Sponsor Fee	40,524
Professional Services	16,139
Advertising	43,161
Total	$1,953,885

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

Note 9 - Defined Benefit Pension Plans (Continued)

A. School Employee 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 determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $11,619 $9,638, and $7,109 respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 plan. 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Note 9 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were $112,605, $97,238, and $84,736 respectively; 79 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were made by the Academy.

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. As of June 30, 2011, none of the members of the Academy Staff have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee 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 St., 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 required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,407, $378, and $3,244 respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 10 - Postemployment Benefits (Continued)

A. School Employee Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $748, $575, and $512 respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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.

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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $8,662, $7,480, and $6,518 respectively; 79 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 11 - Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of a recent review, it was determined that the Academy was under funded during fiscal 2011 by $21,934. The amount was recognized at June 30, 2011 as an intergovernmental receivable (see Note 5).

Note 12 – Building Leases

In October 2008, the Academy entered into a lease agreement for the use of a facility effective January 1, 2009. The lease term extends through June 30, 2014 for the use of approximately 24,500 sq. ft. The base rent per the original lease for fiscal 2011 was $21,979 per month. In July 2009, the landlord made improvements to the facility with a cost of $35,000. The Academy reimbursed the landlord the $35,000 improvement costs over a period of seven months August 2009 through February 2010. The $35,000 cost is being capitalized as a leasehold improvement and will be amortized over the remaining life of the lease. The annual base rent escalates by 50 cents per square foot of rented space.

The total net rent expense for the fiscal year ended June 30, 2011 was $276,309. The following table shows the future minimum lease payments required under the lease:

Years Ending June30,	Future Minimum Lease Payments
2012	288,868
2013	301,428
2014	313,987
Total minimum lease payments	$904,283

Note 13 –Tax Exempt Status

The Academy has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Note 14 – Related Party Transactions/Management Company

The Academy shares a common Governing Board with Cleveland Arts and Social Sciences Academy.

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

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy's revenue. The management fee for fiscal year 2011 was $274,742.

Mosaica Education, Inc. pays for certain operating expenses on behalf of the Academy and subsequently invoices the Academy for reimbursement. Such expenses include: payroll, rent and insurance. The amount invoiced for reimbursement in fiscal 2011 was $1,403,531.

At June 30, 2011, the Academy had payables to Mosaica Education, Inc. in the amount of $1,511,069. These payables are reflected on the Statement of Net Assets as $160,978 Accounts Payable, Related Party and $1,350,091, Note Payable.

Note 14 – Related Party Transactions/Management Company (Continued)

The following is a schedule of amounts owed to Mosaica Education, Inc at June 30, 2011.

	Amount
Payroll	$64,268
Management Fee	66,734
Miscellaneous	5,159
Interest/Finance Charges	24,817
Total June 30, 2011	$160,978

Note 15 – Sponsor

The Academy was approved for operation under a contract with the St. Aloysius Orphanage Council (the Sponsor) for a period of five academic years commencing July 18, 2005. Subsequent to June 30, 2010, the contract was extended for an additional five academic years that runs through June 30, 2015. As part of this contract, the Sponsor is entitled to a percentage of all revenues. Total amount due and paid for fiscal year 2011 was $40,524.

Note 16 – Management's Plan

For fiscal year 2011, the Academy had an operating loss of $975,634, a net loss of $299,363, and net asset deficit of $1,334,651.

The Academy's net loss in fiscal year 2011 of $299,363 was less than the net loss in fiscal year 2010 of $21,707 primarily due to decreased student enrollment and additional advertising investment. Final full-time equivalent student enrollment was 197 and 208 students for the fiscal years ending June 30, 2011 and 2010, respectively. Current full-time equivalent student enrollment as of fall 2011 is 203 students. As of February 2012 the Academy had a cash balance of $98,646.

During fiscal 2009, the Academy moved into a larger facility better suited for a school. The larger facility will accommodate a larger student population. The student capacity of the new facility is 400.

Management plans to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help generate future surpluses.

Note 17 – Long-Term Obligations

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

	Balance 6/30/10	Additions	Principal Payments	Balance 6/30/11	Amounts Due Within One Year
Promissory Note	$0	1,350,091	0	$1,350,091	$0

On June 30, 2011, the Academy entered into a $1,350,091 promissory note with Mosaica Education, Inc., a related party (See Note 14) to convert a large portion of the related party accounts payable balance. The note bears a variable interest rate, with an initial rate of 5% and matures June 30, 2018. Interest accrues with no payments due through March 30, 2013. Principal payments will be quarterly, with annual payments totaling:

Note 17 – Long-Term Obligations (Continued)

	Principal & Interest
June 30, 2012	$0
June 30, 2013	70,000
June 30, 2014	180,000
June 30, 2015	260,000
June 30, 2016	320,000
2017-2018	892,000
Total	$1,722,000

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ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Grant Award Year	Federal CFDA Number	Revenues	Expenses
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
National School Breakfast	2011	10.553	$ 19,774	$ 19,774
National School Lunch Program	2011	10.555	70,119	70,119
Total U.S. Department of Agriculture			**89,893**	**89,893**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Grants to States	2011	84.027	46,046	46,046
Special Education Grants to States - ARRA	2011	84.391	22,439	22,439
Total Special Education Grants to States			68,485	68,485
State Fiscal Stabilization Fund - Education State Grants- ARRA	2011	84.394	116,458	116,458
Title I Grants to Local Educational Agencies	2011	84.010	134,128	110,641
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	163,611	163,611
Total Title I Grants to Local Educational Agencies			297,739	274,252
School Improvement Grants to States	2011	84.377	6,272	6,272
Twenty-first Century Community Learning Centers	2011	84.287	159,899	159,899
Improving Teacher Quality State Grants	2011	84.367	7,247	7,247
Educational Technology State Grants	2011	84.318	78	-
Total U.S. Department of Education			**656,178**	**632,613**
Totals			**$ 746,071**	**$ 722,506**

The accompanying notes are an integral part of this statement.

ARTS AND SCIENCE PREPARATORY ACADEMY
CUYAHOGA COUNTY

NOTES TO THE FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Revenues and Expenses Schedule (the Schedule) reports the Arts and Science Preparatory Academy's (the Academy's) federal award programs' revenues and expenses. The schedule has been prepared on the accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash revenues 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.

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

Arts and Science Preparatory Academy
Cuyahoga County
2711 Church Avenue
Cleveland, OH 44113

To the Board:

We have audited the financial statements of Arts and Science Preparatory 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 6, 2012, wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

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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 did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 6, 2012.

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

Dave Yost

Dave Yost
Auditor of State

March 6, 2012

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

Arts and Science Preparatory Academy
Cuyahoga County
2711 Church Avenue
Cleveland, OH 44113

To the Board:

Compliance

We have audited the compliance of Arts and Science Preparatory 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 the Academy's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those 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, Arts and Science Preparatory Academy, Cuyahoga County, Ohio complied, in all material respects, with the requirements referred to above that that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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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 a material weakness, as defined above.

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

Dave Yost
Auditor of State

March 6, 2012

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Title I, CFDA # 84.010 Title I ARRA, CFDA #84.389 State Fiscal Stabilization Fund, CFDA #84.394
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

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

Finding Number	**2011-001**

Financial Reporting – Material Weakness

Section 1.02 (a) (vii) (A) of the management agreement between the Academy and Mosaica Education, Inc (MEI) states that MEI will maintain accurate financial records pertaining to its operation of the Academy. Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following reclassification was material to the overall June 30, 2011 financial statements of the Academy and was posted the Academy's ledgers and financial statements:

- Reclassification of $1,350,091 of related party payables to long-term note payable as well as a non-cash activity note on the Statement of Cash Flows to show the note issuance.

The following aggregated differences/reclassifications were immaterial to the overall June 30, 2011 financial statements of the Academy and were not posted:

- Reclassification of $17,633 of related party payables to trade accounts payable.
- Reclassification of $93,334 of Interest expense (non-operating) to Purchased Services (operating).

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The fiscal department of Mosaica Education, Inc. should review the adjustments identified above to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, policies and procedures should be adopted that include a final review of the financial statements and note disclosure to identify and correct errors and omissions. The Board should review the draft financial report compiled by Mosaica Education Inc. before it is submitted.

Officials' Response:

We did not receive an Official response for the finding above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Arts and Science Preparatory Academy
Cuyahoga County
2711 Church Avenue
Cleveland, OH 44113

To the Board:

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

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

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

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

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

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

Dave Yost

Dave Yost
Auditor of State

March 6, 2012

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ARTS AND SCIENCE PREPARATORY 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
MARCH 29, 2012