C.M. Grant Leadership Academy
Franklin County
Regular Audit
For the Fiscal Year Ended June 30, 2011

Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.millhuffstangcpa.com ■ Email: natalie@millhuffstangcpa.com

Dave Yost • Auditor of State

Board of Directors
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the C.M. Grant Leadership Academy, Franklin County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 30, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

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C.M. Grant Leadership Academy
Franklin County
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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, OH 43219

We have audited the accompanying basic financial statements of C.M. Grant Leadership Academy, Franklin County, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C.M. Grant Leadership Academy, Franklin County, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 16, 2011

The management's discussion and analysis of C.M. Grant Leadership Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets were $17,491 in 2011.
- Total assets were $359,582 in 2011.
- Liabilities were $342,091 in 2011.

Using this Annual Report

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

Statement of Net Assets

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

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

TABLE 1

	June 30	
	2011	2010
Assets		
Current Assets	$139,170	$252,200
Non-Current Assets	100,485	100,485
Capital Assets - Net	119,927	57,134
Total Assets	359,582	409,819
Liabilities		
Current Liabilities	204,469	288,029
Non-Current Liabilities	137,622	161,674
Total Liabilities	342,091	449,703
Net Assets		
Invested in Capital Assets	119,927	57,134
Unrestricted (Deficit)	(102,436)	(97,018)
Total Net Assets	$17,491	($39,884)

Total net assets for the Academy increased $57,375 due to a number of factors, but largely due to a reduction in total liabilities and a contribution from the management company. Intergovernmental receivables decreased $114,851 as there was a smaller amount of Federal Funds to be accrued and no ODE adjustment in 2011. Capital assets, net of depreciation, increased $62,793, mostly due to the purchase of computer equipment.

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

TABLE 2

	June 30	
	2011	2010
Operating Revenues		
Foundation Payments	$1,019,790	$797,057
Other Revenues	9,822	906
Nonoperating Revenues		
Federal Grants	519,651	512,980
State Grants	6,341	5,885
Contributions and Donations	86,870	0
Total revenue	1,642,474	1,316,828
Operating Expenses		
Purchased Services	1,394,815	1,094,192
Materials and Supplies	102,655	91,099
Depreciation (unallocated)	39,310	16,415
Other expenses	40,412	41,417
Nonoperating Expenses		
Interest	7,907	6,248
Total expenses	1,585,099	1,249,371
Increase in Net Assets	$57,375	$67,457

Net assets increased $57,375. Foundation payments increased $222,733 due to increased student count. Contributions increased by $86,870 due to a donation from the management company, and total operating expenses increased $334,069 due to increased costs associated with a higher student count.

Capital Assets

At the end of fiscal year 2011, the Academy had $119,927 invested in furniture, fixtures, and equipment and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2011 and 2010.

TABLE 3

	2011	2010
Furniture, fixtures and equipment	$92,779	$57,134
Leasehold Improvements	27,148	0
Total Capital Assets	$119,927	$57,134

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

Debt

On June 30, 2009, the Academy received a $71,000 note from its management company (The Leona Group). Principal payments of $24,052 were made during the fiscal year, resulting in an ending balance of $37,622. $18,248 of this balance is due within one year.

On June 12, 2008, the Academy received a $150,000 note from its management company (The Leona Group). No principal payments were made during the fiscal year, resulting in an ending balance of $100,000. $12,500 of this balance is due within one year. The remaining balance is due on or before June 12, 2013.

On August 9, 2010, the Academy received a $300,000 loan from RBS Citizens that was repaid in full during the fiscal year.

The Academy further received short-term loans from their management company (The Leona Group) throughout the fiscal year totaling $73,270. This balance and the outstanding balance of $28,000 from the previous fiscal year were repaid in full by fiscal year-end. The short-term loans have no terms as to repayment.

For more information on debt, see Notes 12 and 13 to the basic financial statements.

Current Financial Issues

C.M. Grant Leadership Academy was formed in 2007 under a contract with the St. Aloysius Orphanage. During the 2010-2011 school year there were 161 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2011 amounted to $1,019,790.

Contacting the School's Financial Management

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

C.M. Grant Leadership Academy
Franklin County
Statement of Net Assets
June 30, 2011

Assets	
Current Assets:	
Cash and Cash Equivalents	$124
Accounts Receivable	8,716
Intergovernmental Receivables	104,704
Prepaid Items	25,626
Total Current Assets	139,170
Non-Current Assets:	
Security Deposit	100,485
Capital Assets:	
Depreciable Capital Assets, Net	119,927
Total Non-Current Assets	220,412
Total Assets	359,582
Liabilities	
Current Liabilities:	
Accounts Payable	53,977
Accounts Payable - Related Party	60,442
Contracts Payable	90,050
Total Current Liabilities	204,469
Non-Current Liabilities:	
Due Within One Year	30,748
Due In More Than One Year	106,874
Total Non-Current Liabilities	137,622
Total Liabilities	342,091
Net Assets	
Invested in Capital Assets	119,927
Unrestricted (Deficit)	(102,436)
Total Net Assets	$17,491

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Operating Revenues	
Foundation Payments	$1,019,790
Other Revenues	9,822
Total Operating Revenues	1,029,612
Operating Expenses	
Purchased Services (Note 10)	1,394,815
Materials and Supplies	102,655
Depreciation	39,310
Other	40,412
Total Operating Expenses	1,577,192
Operating Loss	(547,580)
Non-Operating Revenues and Expenses	
Federal Grants	519,651
State Grants	6,341
Contributions and Donations	86,870
Interest and Fiscal Charges	(7,907)
Total Non-Operating Revenues and Expenses	604,955
Change in Net Assets	57,375
Net Assets Beginning of Year	(39,884)
Net Assets End of Year	$17,491

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Decrease in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,061,805
Cash Received from Other Operating Revenues	9,822
Cash Payments to Suppliers for Goods and Services	(1,603,974)
Net Cash Used for Operating Activities	(532,347)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	592,487
State Grants Received	6,341
Contributions and Donations	86,870
Proceeds of Short Term Loans	73,270
Repayment of Short-Term Loans	(101,270)
Proceeds from Notes	300,000
Principal Payments	(324,052)
Interest Payments	(9,381)
Net Cash Provided by Noncapital Financing Activities	624,265
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(102,103)
Net Cash Used for Capital and Related Financing Activities	(102,103)
Net Decrease in Cash and Cash Equivalents	(10,185)
Cash and Cash Equivalents at Beginning of Year	10,309
Cash and Cash Equivalents at End of Year	$124

(Continued)

C.M. Grant Leadership Academy
Franklin County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	($547,580)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	39,310
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(8,716)
(Increase)/Decrease in Intergovernmental Receivable	42,015
(Increase)/Decrease in Prepaid Items	(3,290)
Increase/(Decrease) in Accounts Payable	18,617
Increase/(Decrease) in Accounts Payable-Related Party	12,889
Increase/(Decrease) in Intergovernmental Payable	(90)
Increase/(Decrease) in Contracts Payable	(85,502)
Total Adjustments	15,233
Net Cash Used by Operating Activities	($532,347)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

C.M. Grant Leadership Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period commencing June 23, 2010 and ending June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by eight non-certified personnel and eight certificated teachers who provide services to 161 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The 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 and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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.

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. 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. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years
Leasehold Improvements	5 years

G. Operating Revenues and Expenses

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

H. Estimates

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

I. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $150,000 less a $50,000 refund, is held by the lessor. (See Note 11)

3. DEPOSITS

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of $575 was fully insured by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

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

A summary of the principal items of receivables follows:

Intergovernmental Receivables	
Title I	$55,490
Title I ARRA	25,130
Title IIa	301
Race to the Top	9,379
Charter School Grant	865
Child Nutrition - Breakfast	3,168
Child Nutrition - Lunch	7,632
STRS/SERS overdeducted	2,739
Total	$104,704

Accounts Receivable	
eRate - AT&T	$2,708
eRate - Verizon	1,159
eRate - Shutternet	4,849
Total	$8,716

5. CAPITAL ASSETS

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

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$25,115	$14,128	$0	$39,243
EDP Equipment and Software	44,967	44,981	0	89,948
Non-EDP Equipment	9,405	4,763	0	14,168
Leasehold Improvements	0	38,231	0	38,231
Total Capital Assets Being Depreciated	79,487	102,103	0	181,590
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(4,015)	(5,260)	0	(9,275)
EDP Equipment and Software	(16,648)	(20,700)	0	(37,348)
Non-EDP Equipment	(1,690)	(2,267)	0	(3,957)
Leasehold Improvements	0	(11,083)	0	(11,083)
Total Accumulated Depreciation	(22,353)	(39,310)	0	(61,663)
Total Capital Assets Being Depreciated, Net	$57,134	$62,793	$0	$119,927

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability	$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
BI	1,000,000
Umbrella	7,000,000

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

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

7. DEFINED BENEFIT PENSION PLANS (continued)

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 $18,398, $14,547 and $2,551 respectively; 100 percent has been contributed for all years.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

7. DEFINED BENEFIT PENSION PLANS (continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $47,570, $34,239 and $18,433 respectively; 100 percent has been contributed for all years .

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011 the surcharge was $1,719.

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 $3,947, $524 and $1,167 respectively. 100 percent has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were $1,184, $865 and $210 respectively. 100 percent has been contributed for all years.

B. State Teachers Retirement System of Ohio

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.

7. DEFINED BENEFIT PENSION PLANS (continued)

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 $3,659, $2,634 and $1,418 respectively. 100 percent has been contributed for all years.

9. CONTINGENCIES

A. Grants

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

B. Ohio Department of Education Enrollment Review

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

10. PURCHASED SERVICE EXPENSES

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

Salaries	$556,306
Fringe Benefits	156,600
Repairs and Maintenance	13,273
Legal	787
Advertising	21,753
Gas, Electricity and Water	25,528
The Leona Group, LLC.	185,458
St. Aloysius	31,817
Cleaning Services	26,992
Communications	5,289
Food Services	83,619
Other Rentals and Leases	4,416
Building Lease Agreements	179,530
Other Professional and Technical Services	103,447
Total Purchased Services	$1,394,815

11. OPERATING LEASES

The Academy has entered into a lease for the period August 11, 2008 through July 31, 2013 with Millworks, PTR, LLC. An amendment was signed on August 1, 2010 extending the term of the lease to July 31, 2015, and providing for a release of $75,000 of the security deposit over the term of the lease. The remaining $25,000 is non-refundable. Payments to Millworks totaled $183,280 for the fiscal period. The lease is automatically extended on a year-to-year basis. The annual Base Rent for the extended term shall be equal to the rent for the immediate prior year adjusted by the increase in the per-pupil funding from the State of Ohio.

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

Fiscal Year Ending June 30,	Facility Lease
2012	$187,863
2013	197,447
2014	202,863
2015	207,863
Total minimum lease payments	$796,036

12. NOTES PAYABLE

Debt activity during 2011 was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Due Within One Year
Note Payable – The Leona Group 1	$100,000	$0	$0	$100,000	$12,500
Note Payable – The Leona Group 2	61,674	0	24,052	37,622	18,248
Note Payable – RBS Citizens	0	300,000	300,000	0	0
Total	$161,674	$300,000	$324,052	$137,622	$30,748

The Academy entered into a promissory note with The Leona Group of $150,000 on June 12, 2008. The note was used to pay the security deposit for the lease described in Note 11. The note has an interest rate of 3% and a maturity date of June 12, 2013.

The Academy entered into a working capital note with The Leona Group of $71,000 on June 30, 2009. The note was used to pay for general operating expenses of the Academy. The note has an interest rate of 6%, required principal and interest payments totaling $1,667 per month, and a maturity date of June 30, 2013.

The Academy entered into a loan agreement with RBS Citizens, NA on August 9, 2010 with a maturity date of June 30, 2011. This agreement provided the Academy with $300,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner.

Principal and interest amounts due within each of the next two years on note payable obligations outstanding at June 30, 2011 are as follows:

Year Ended	Notes Payable - TLG 1		Notes Payable - TLG 2		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$18,248	$1,761	$12,500	$0	$30,748	$1,761
2013	19,374	635	87,500	16,500	106,874	17,135
Total	$37,622	$2,396	$100,000	$16,500	$137,622	$18,896

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The Academy incurred capitation fees of $185,458 for the 2011 fiscal year.

Terms of the management contract requires TLG to provide the following:

A. implementation and administration of the educational program;

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

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

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

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

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

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

Expenses	2011
Salaries and Wages	$556,306
Employee Benefits	156,600
Advertising	331
Professional and Technical Service	20,908
Travel	335
Communications	579
Contracted Craft or Trade Services	980
Other Supplies	4,913
Other Direct Costs	5,967
Total Expenses	$ 746,919

The Leona Group, LLC, forgave $65,000 of the balance due from the Academy at December 31, 2010. This was done to alleviate a cash flow problem caused in part by recording management fees on carry-over Federal Funds that the Academy was required to accrue at June 30, 2010, but had not collected as of December 31, 2010.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2011, the Academy had a balance due to The Leona Group, LLC in the amount of $150,492. This consists mostly of outstanding management fees and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Accounts Payable - Related Party	$60,442
Management Fees	90,050
Total Expenses	$150,492

The Leona Group also incurred, on behalf of the Academy, the promissory notes described in Note 12.

14. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens, NA on August 24, 2011 with a maturity date of June 30, 2012. This agreement provided the Academy with $125,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

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Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, OH 43219

We have audited the financial statements of C.M. Grant Leadership Academy, Franklin County, (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis.

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 was consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. This item is identified as finding 2011-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.millhuffstangcpa.com ■ Email: natalie@millhuffstangcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Academy in a separate letter dated December 16, 2011.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 16, 2011

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2011-1

Significant Deficiency – Financial Reporting

Sound financial reporting is the responsibility of the Academy's management company and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Academy utilizes the Great Plains accounting system and currently has monitoring controls over daily transactions entered into the system. Accrual information is prepared by the management company, along with the financial statements.

The Academy's intergovernmental receivable balance included misstatements that were not material to adjust the financial statements but that were significant enough to warrant reporting to those charged with governance.

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

The Academy should continue to develop and enhance policies and procedures to further enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Academy and thereby increases the reliability of the financial data throughout the year.

Client Response:
Management believed, apparently erroneously, that the intergovernmental receivable mentioned need not be recorded in 2011-11 since the money would not be received until 2011-12. In the future, a review will be conducted at year-end of all revenue accounts and outstanding grant balances to ensure accurate financial reporting.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
Finding 2010-1	Material weakness – financial reporting	No	Reissued as finding 2011-1

C.M. GRANT LEADERSHIP ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us