CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

INITIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cincinnati Leadership Academy
Hamilton County
7243 Eastlawn Drive
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cincinnati Leadership Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Leadership Academy, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements indicate the School has incurred an operating loss of $218,005 and an accumulated deficit of $217,252. Management's plans regarding these matters are described in Note 16. 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 April 24, 2009, on our consideration of the Government'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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The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 24, 2009

The management's discussion and analysis of Cincinnati Leadership Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. 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 new 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 Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A, however, because this is the first year of operation of the school, the comparative information is not presented.

Financial Highlights

- In total, net assets (deficit) were ($217,252) in 2008.
- Total assets were $96,128 in 2008.
- Liabilities were $313,380 in 2008.

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 (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2008?" 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 year 2008:

TABLE I	For the year ended June 30, 2008
Assets	
Current Assets	$ 96,128
Total assets	96,128
Liabilities	
Current Liabilities	313,380
Total liabilities	313,380
Net Assets (Deficit)	
Unrestricted	(217,252)
Total net assets (deficit)	$ (217,252)

Total net assets for the Academy were $(217,252), due primarily to a large liability to the management company for expenses covered by the management company. Cash was $52,135. Intergovernmental/Accounts receivables were $15,194 due primarily to refunds received after year-end and the timing of receipt of grant funding.

Table 2 shows the changes in net assets (deficit) for fiscal year 2008, as well as a listing of revenues and expenses.

TABLE 2	For the year ended June 30, 2008
Operating Revenues	
Foundation Payments	$ 198,473
Food Services	605
Other	557
Nonoperating Revenues	
Federal Grants	7,101
State Grants	3.000
Total revenue	209,736
Operating Expenses	
Purchased Services	361,743
Materials and Supplies	38,462
Depreciation (unallocated)	1,684
Other expenses	17,435
Nonoperating Expenses	
Interest	9,348
Total expenses	426,988
Increase (Decrease) in Net Assets (Deficit)	$ (217,252)

Net assets (deficit) were $(217,252) due solely to there being far more expenses than the revenue could cover. The management company for the Academy covered the shortfall in 2008.

Current Financial Issues

Cincinnati Leadership Academy was formed in 2007 under a contract with the Buckeye Community Hope Foundation. During the 2007-2008 school year there were 30 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2008 amounted to $198,473.

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 Cincinnati Leadership Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets		
Current Assets:		
Cash and Cash Equivalents	$	52,135
Intergovernmental Receivables		15,194
Prepaid Items		28,799
Total Current Assets		96,128
Total Assets		96,128
Liabilities		
Current Liabilities:		
Accounts Payable		9,568
Accrued Wages Payable		6,276
STRS-SERS Payable		1,693
Accrued Interest Payable		208
Notes Payable		50,000
Contracts Payable		245,634
Total Current Liabilities		313,380
Net Assets		
Unrestricted		(217,252)
Total Net Assets	$	(217,252)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

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

Operating Revenues	
Foundation Payments	$ 198,473
Food Services	605
Other Revenues	557
Total Operating Revenues	199,635
Operating Expenses	
Purchased Services (Note 11)	361,743
Materials and Supplies	38,462
Other	17,435
Total Operating Expenses	417,640
Operating Loss	(218,005)
Non-Operating Revenues and Expenses	
Federal Grants	7,101
State Grants	3,000
Interest and Fiscal Charges	(9,348)
Total Non-Operating Revenues and Expenses	753
Change in Net Assets	(217,252)
Net Assets Beginning of Year	-
Net Assets End of Year	$ (217,252)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 198,123
Cash Received for Food Services	605
Cash Received from Other Operating Revenues	558
Cash Payments to Suppliers for Goods and Services	(310,930)
Net Cash Used for Operating Activities	(111,644)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	3,775
State Grants Received	-
Proceeds from Notes	400,000
Principal Payments	(350,000)
Interest Payments	(9,139)
Contracts Payable Received	205,700
Contracts Payable Paid	(86,557)
Net Cash Provided by Noncapital Financing Activities	163,779
Net Increase in Cash and Cash Equivalents	52,135
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ 52,135

(Continued)

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(218,005)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(8,868)
(Increase) in Prepaid Items		(28,799)
Increase in Accounts Payable		9,568
Increase in STRS-SERS Payable		1,693
Increase in Accrued Wages Payable		6,276
Increase in Contracts Payable		126,491
Total Adjustments		106,361
Net Cash Provided by Operating Activities	$	(111,644)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Cincinnati 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 Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing March 7, 2007. 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 five 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 three non-certified personnel and one certificated teacher who provide services to 30 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 revenue, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching 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. 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 $1,500 for furniture and equipment, land, and buildings. 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 except land 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:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years
Buildings	40 years

For fiscal year 2008, the Academy did not possess any assets that were above the stated threshold, and therefore no assets were recorded on the financial statements.

F. 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.

G. 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.

H. 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 $20,000, is held by the lessor. (See Note 11)

3. DEPOSITS

The Academy has designated two banks for the deposit of its funds. The Academy's deposits consist solely of checking accounts at local banks which have FDIC coverage; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is 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.

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants and reimbursements. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Title I	1,299
Federal Charter School Grant	51
Title IID	13
Restricted Grants-In-Aid	3,000
National School Lunch Program	2,312
Textbook Reimbursements	3,601
Insurance Reimbursement	4,917
Total Intergovernmental/ Accounts Receivables	$ 15,194

5. 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 2008, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:	
Per occurrence	$10,000,000
Total per year	10,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

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.

6. 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.

For the fiscal year ended June 30, 2008, 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2008, were $7,006; 100 percent has been contributed for fiscal year 2008.

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 statement 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

6. DEFINED BENEFIT PENSION PLANS (Continued)

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2008, were $20,267; 100 percent has been contributed for fiscal year 2008.

7. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to 4.18 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $1,683 for fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.5 billion at June 30, 2007 (the latest information available). For the year ended June 30, 2007, net health care costs paid by STRS Ohio were $282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

7. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.32 percent of covered payroll for fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at $35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled $1,356.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2007, (the latest information available), were $158,751,207. At of June 30, 2007, SERS had net assets available for payment of health care benefits of $295.6 million. SERS has 59,492 participants eligible to receive benefits.

8. 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, 2008.

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. A review conducted by the Ohio Department of Education reflected the Academy owed the Ohio Department of Education $399, as of June 30, 2009.

9. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$	118,283
Fringe Benefits		26,480
Repairs and maintenance		6,292
Legal		3,753
Advertising		26,939
Gas and Electricity		42,788
The Leona Group, LLC.		25,168
Cleaning Services		1,175
Communications		10,658
Food Services		10,643
Other rentals and leases		4,053
Building lease agreements		60,000
Other Professional and Technical Services		25,510
Total Purchased Services	$	361,743

10. OPERATING LEASES

The Academy has entered into a lease for the period August 1, 2007 through July 31, 2012 with Our Mother of Sorrows Catholic Church. Payments made totaled $60,000 for the fiscal period. The Academy has the option to extend the lease for one, additional three to five-year term. The annual Base Rent for the extended term shall be one hundred three percent of the rent due during the immediately prior year.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2008.

Fiscal Year Ending June 30,	Facility Lease
2009	120,000
2010	132,000
2011	144,000
2012	156,000
Total minimum lease payments	$ 552,000

11. NOTES PAYABLE

Debt Activity During 2008 was as follows:

	Balance at 07/01/07	Additions	Reductions	Balance at 06/30/08
Note Payable-Charter One Bank	$ -	$ 400,000	$ 350,000	$ 50,000

The Academy entered into a loan with Charter One Bank for $400,000 on November 8, 2007. The note was used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and has a maturity date of July 8, 2008.

12. MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 15, 2007 through June 30, 2012, with The Leona Group, LLC for educational management services for all of the management, operation, 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 amount paid to TLG for fiscal period 2008 totaled $25,168.33. Terms of the contracts require 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.

At June 30, 2008, the Academy had payables to The Leona Group, LLC in the amount of $245,634. The following is a schedule of payables to The Leona Group, LLC.:

	Amount
Management Fee	25,168
Miscellaneous	220,466
Total Expenses	$ 245,634

13. SUBSEQUENT EVENT

The Academy entered into a loan agreement with Charter One Bank on September 30, 2008 with a maturity date of June 30, 2009. This agreement provided the Academy with $550,000 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.

14. FINANCIAL DISTRESS

The School is experiencing financial difficulties. As of June 30, 2008, the School had a deficit fund balance of $210,232. As of April 30, 2009, the latest information available, the unaudited fund balance is in a deficit of $381,405 and the contracts payable amount is $240,864. Per the Treasurer, the contract payable with the Leona Group has not been forgiven, but there are discussions taking place regarding how to handle this large payable.

Mary Taylor, CPA
Auditor of State

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

Cincinnati Leadership Academy
Hamilton County
7243 Eastlawn Drive
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the financial statements of the Cincinnati Leadership Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Government's basic financial statements and have issued our report thereon dated April 24, 2009, wherein we noted the School has incurred an operating loss of $218,005 and a accumulated deficit of $217,252. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated April 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item, 2008-003.

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated April 24, 2009.

We intend this report solely for the information and use of the audit committee, management, board of directors, and Buckeye Community Hope Foundation. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 24, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Material Weakness

Board Policy 148.2 sets the threshold for capitalization of assets at $1,500 per item. The Academy recorded purchases of capital assets totaling $6,484 with a purchase price less than $1,500 on their financial statements, these assets had to be adjusted during audit. Recording assets with purchase costs lower than the established threshold can lead to a lack of accurate financial reporting and management information. We recommend that the Academy follow the policies in the School Policy Manual and only capitalize assets with a cost of $1,500 or more.

FINDING NUMBER 2008-002

Material Weakness

The amount of prepaid assets needs to reflect the amount expended in the current period that relates to the use of that purchase in a subsequent period. A portion of the prepaid assets recorded by the Academy was insurance. The supporting documentation for the prepaid insurance amount that was included should have already been amortized because the period of insurance coverage had already passed. This caused the amount of the prepaid assets to be overstated by $8,799. The amount of the Duke Energy Security Deposit was not recorded as a prepaid asset. This resulted in the prepaid assets being understated by $3,500; an audit adjustment was made to correct the financial statements. We recommend that the Academy monitor the prepaid asset account to ensure that the amounts of prepaid assets are amortized over the related period. Properly monitoring the prepaid asset account will help to ensure that the amounts recorded as assets are not overstated and expenditures are recorded in the proper period.

FINDING NUMBER 2008-003

Material Noncompliance

The **Cincinnati Leadership Academy charter Section B (10)** requires that all members of the Governing Authority attend five hours of board training per year or receive a written waiver from the sponsor. Additionally, it requires the Governing Authority to hold at least eight meetings per year. None of the members of the Board of Directors attended training during fiscal year 2008 and there were only six meetings held during fiscal year 2008. Not receiving the required training nor holding at least eight meetings was a breach of the charter agreement. A breach of the charter agreement could constitute cause for termination or non-renewal of the contract. We recommend that all board members receive the required training and that the board hold at least eight meetings each year. Receiving board training and meeting at least eight times per year will assure that the academy is in compliance with the Charter and reduce the risk that the sponsor could terminate the charter agreement.

Academy officials did not respond to the findings reported above.

Mary Taylor, CPA
Auditor of State

CINCINNATI LEADERSHIP ACADEMY

HAMILTON 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
AUGUST 11, 2009

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