



Dave Yost • Auditor of State

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

We have audited the accompanying basic financial statements of the Mount Auburn International Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, 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 Mount Auburn International Academy, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, The Academy has suffered recurring losses from operations and has a net asset deficiency. Note 12 describes Management's plans regarding these matters. 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 23, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 23, 2011

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The discussion and analysis of the Mount Auburn International Academy Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School'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 their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued 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 decreased (\$335,424) from the beginning of the year. This is a result of declining State per pupil funding due to lower student enrollment.
- Total assets increased \$600,159 from the beginning of the year. This was a result of additional cash on hand and intergovernmental receivable.
- Total liabilities increased \$ 935,585 from the beginning of the year. This is mainly due to unpaid license fees, management fees, and facility rent.

Using this Financial 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 and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2010?" 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 account all revenues and expenses during the year, regardless of when the cash is received or paid.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table 1 provides a summary of the School's net assets for fiscal year 2010.

	(Table 1) Net Assets	
	2010	2009
Assets		
Current Assets	\$ 949,506	\$ 384,894
Land	\$ -	\$ -
Capital Assets, Net	<u>\$ 38,005</u>	<u>\$ 2,458</u>
Total Assets	\$ 987,511	\$ 387,352
Liabilities		
Current Liabilities	\$ 987,510	\$ 1,886,852
Non-Current Liabilities	<u>\$1,834,925</u>	<u>\$ -</u>
Total Liabilities	\$2,822,435	\$ 1,886,852
Net Assets		
Invested in Capital Assets	\$ 38,005	\$ 2,458
Unrestricted	<u>(\$1,872,929)</u>	<u>(\$1,501,958)</u>
Total Net Assets	(\$1,834,924)	(\$1,499,500)

Total assets increased \$600,159 from the beginning of the year. Liabilities increased \$ 935,583 from the beginning of the year mainly due to unpaid fees to the management. Capital Assets, net of depreciation increased by \$ 35,547

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2010	2009
Operating Revenue		
Extracurricular and Lunchroom Sales	4,339	8,210
Foundation Payments	3,152,801	2,457,785
Poverty Based Assistance	560,027	422,254
Other	4,783	14,433
Non-Operating Revenue		
Federal and State Grants	1,313,024	334,597
Interest	1,271	1,322
Federal and State Meal Subsidies	281,607	193,367
Total Revenues	<u>5,317,852</u>	<u>3,431,968</u>
Operating Expenses		
Salaries	2,390,448	1,966,394
Fringe Benefits	622,327	537,826
Purchased Services	1,612,552	1,389,087
Materials and Supplies	642,479	701,940
Cost of Sales-Lunchroom	216,446	187,520
Depreciation	5,152	342
Other Expenses	163,872	148,359
Total Expenses	<u>5,653,276</u>	<u>4,931,468</u>
Change in Net Assets	(335,424)	(1,499,500)
Net Assets Beginning of Year	<u>(\$1,499,500)</u>	<u>0.00</u>
Net Assets End of Year	<u>(\$1,834,924)</u>	<u>(\$1,499,500)</u>

Total Revenues increased by \$1,885,884 mainly due to additional students that generated additional foundation payments, As well, the school received additional federal grant revenue as compared to the prior year. This additional federal grant revenue was received was a part of economic stabilization funds and prior years carryover. Total expenses increased by \$721,808, mainly due to additional staff to accommodate for the increased enrollment.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Capital Assets

At the end of fiscal year 2010 the School had \$38,005 (net of depreciation), invested in furniture, fixtures, and equipment, which represented an increase of \$ 38,005 from 2009.

Current Financial Issues

The Mount Auburn International Academy was formed in 2008. Hence 2009-2010 is the Second year of operation. During the 2009-2010 school year there were approximately 560 students enrolled in the School. The School receives its finances mostly from state aide. Base per pupil aide for fiscal year 2010 amounted to \$5,718 per student.

At June 30, 2010, the School had a net deficiency of \$1,834,924, meaning that current liabilities were in excess of current assets by this amount.

In order to address the net deficiency the School's Education Provider shall, in its sole discretion, cover any deficits of the School in any year in which there is a deficit as long as the deficit is not due to a unilateral decision by the Board to expend additional funds. In the event that the School, in subsequent years, makes a profit, Education Provider may recover any amounts expended to cover previous deficits. This provision shall be effective as of July 1, 2008, and shall apply to all advances (either direct or indirect) previously made to the Board to cover deficits.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Ed Giese, Business Manager at Mount Auburn International Academy, 244 Southern Ave, Cincinnati, Ohio 45219.

Mount Auburn International Academy

Statement of Net Assets

June 30, 2010

	FY 10	FY 09
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 395,960	\$ 220,841
Accounts Receivable	52,226	0
Intergovernmental Receivables	491,975	140,418
Prepaid Items	9,345	23,635
Total Current Assets	<u>949,506</u>	<u>384,894</u>
Non-Current Assets:		
Capital Assets:		
Depreciable Capital Assets, Net	<u>38,005</u>	<u>2,458</u>
Total Non-Current Assets	38,005	2,458
<i>Total Assets</i>	<u>987,511</u>	<u>387,352</u>
Liabilities		
Current Liabilities:		
Accounts Payable	22,691	96,180
Accrued Wages and Benefits	195,191	158,562
Management Company Payable	<u>769,628</u>	<u>1,632,110</u>
Total Current Liabilities	987,510	1,886,852
Non-Current Liabilities		
Management Company Payable	<u>1,834,925</u>	<u>0</u>
Total Non-Current Liabilities	1,834,925	0
<i>Total Liabilities</i>	<u>2,822,435</u>	<u>1,886,852</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	38,005	2,458
Unrestricted (Deficit)	<u>(1,872,929)</u>	<u>(1,501,958)</u>
<i>Total Net Assets</i>	<u>(\$1,834,924)</u>	<u>(\$1,499,500)</u>

See accompanying notes to the basic financial statements

Mount Auburn International Academy

Statement of Revenues,

Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	FY 10	FY 09
Operating Revenues		
Foundation Payments	\$3,152,801	\$2,457,785
Extracurricular and Lunchroom Sales	4,339	8,210
Poverty Based Assistance	560,027	422,254
Other Revenues	4,783	14,433
<i>Total Operating Revenues</i>	<u>3,721,950</u>	<u>2,902,682</u>
Operating Expenses		
Salaries	2,390,448	1,966,394
Fringe Benefits and Payroll Taxes	622,327	537,826
Purchased Services	1,612,552	1,389,088
Materials and Supplies	642,479	701,940
Cost of Sales - Lunchroom	216,446	187,520
Depreciation	5,152	341
Other	163,872	148,359
<i>Total Operating Expenses</i>	<u>5,653,276</u>	<u>4,931,468</u>
<i>Operating Loss</i>	<u>(1,931,326)</u>	<u>(2,028,786)</u>
Non-Operating Revenues (Expenses)		
Other Federal and State Grants	1,313,024	334,597
Interest Income	1,271	1,322
Federal and State Meal Subsidies	281,607	193,367
<i>Total Non-Operating Revenues (Expenses)</i>	<u>1,595,902</u>	<u>529,286</u>
<i>Change in Net Assets</i>	(335,424)	(1,499,500)
<i>Net Assets Beginning of Year</i>	<u>(1,499,500)</u>	<u>0</u>
<i>Net Assets End of Year</i>	<u><u>(\$1,834,924)</u></u>	<u><u>(\$1,499,500)</u></u>

See accompanying notes to the basic financial statements

Mount Auburn International Academy

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<u>FY 10</u>	<u>FY 09</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$4,339	\$8,210
Cash Received from Others	4,783	855,433
Cash Received from Foundation Payments	3,152,801	2,457,785
Cash Received from Poverty Based Assistance	560,027	422,254
Cash Payments for Goods and Services	(1,566,327)	(1,467,523)
Cash Payments for Employees for Salaries	(2,400,747)	(1,808,633)
Cash Payments for Employees for Benefits	(619,681)	(484,394)
Cash Payments to Others	<u>(163,722)</u>	<u>(148,359)</u>
<i>Net Cash Used in Operating Activities</i>	<u>(1,028,527)</u>	<u>(165,227)</u>
Cash Flows from Noncapital Financing Activities		
Federal and State Subsidies Received (Food Service)	250,468	193,367
Operating Grants Received (Federal & State Grants)	<u>992,606</u>	<u>194,179</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>1,243,074</u>	<u>387,546</u>
Cash Flows from Capital and Related Financing Activities		
Payments for Capital Acquisitions	<u>(40,699)</u>	<u>(2,800)</u>
<i>Net Cash Used in Capital Related Financing Activities</i>	<u>(40,699)</u>	<u>(2,800)</u>
Cash Flows from Investing Activities		
Interest	<u>1,271</u>	<u>1,322</u>
<i>Net Cash Provided by Investing Activities</i>	<u>1,271</u>	<u>1,322</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	175,119	220,841
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>220,841</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$395,960</u></u>	<u><u>\$220,841</u></u>

See accompanying notes to the basic financial statements

(continued)

Mount Auburn International Academy

Statement of Cash Flows

Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2010

	<u>FY 10</u>	<u>FY 09</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	(\$1,931,326)	(\$2,028,786)
Adjustments:		
Depreciation	5,152	341
(Increase) Decrease in Assets:		
Accounts Receivable	(52,226)	0
Prepaid Items	14,290	(23,634)
Increase (Decrease) in Liabilities:		
Accounts Payable	(73,489)	96,180
Accrued Wages and Benefits	36,629	158,562
Management Company Payable	972,443	1,632,110
<i>Net Cash Used in Operating Activities</i>	<u><u>(\$1,028,527)</u></u>	<u><u>(\$165,227)</u></u>

See accompanying notes to the basic financial statements

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Mount Auburn International Academy, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through ninth. The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Mount Auburn International Academy Community School may apply and qualify as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Board of Trustees of the University of Toledo which is now referred to as Ohio Council of Community Schools (the Sponsor) for a period of five years commencing July 30, 2008. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board of Directors 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 Board of Directors controls the School's one instructional/support facility staffed by 40 certificated full time teaching personnel who provide services to 560 students.

The School contracts with Cincinnati Education Management LLC as the Education Provider. The Education Provider is not a division, subsidiary, or part of the Board, and functions as an independent contractor to the Board. The responsibilities of the Education Provider include: hire the School Director, with consultation from the Board; hire administrative staff as required; manage and operate the school; secure and maintain insurance; and educate the children enrolled in the School. The Education Provider is responsible and accountable to the Board for the administration, operation and performance of the School in accordance with the Charter.

Under the current agreement, the Educational Provider is paid the following percentage of revenue as fees: license fees, 6%; management fees, 8%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mount Auburn International Academy Community School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis Of Presentation

The School'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. The School uses enterprise accounting to monitor its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of 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 School 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 School'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 School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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 contract between the School and its sponsor. The contract between the School and its Sponsor requires the school to follow Ohio Revised Code 5705.39.1 and prepare a five year projection. However, no budgetary information is presented in the financial statements.

E. Cash Deposits

All monies received by the School are accounted for by the School's Business Manager. For cash management, all cash received by the chief financial officer is pooled in a central bank account. Total cash for the School is presented as "equity in pooled cash" on the accompanying statement of net assets.

The School had no investments during the fiscal year outside of commercial paper which is represented as a recurring sweep transaction in the operating account.

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 School maintains a capitalization threshold of five hundred dollars. The School 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.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

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:

Buildings and Building Improvements 1 - 50 years Furniture, Fixtures and Equipment 10 - 20 years
Vehicles 3 - 10 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, consists of capital assets, net of accumulated depreciation.

H. Operating Revenues and Expenses

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

I. Estimates

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

3. DEPOSITS

At fiscal year end, the bank balance was \$395,960. Of the bank balance, \$268,223 was covered by federal depository insurance.

Investments: The School has no investments.

4. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

Federal Entitlement Grants	460,837
Federal Lunch	31,138

Total All Intergovernmental Receivables \$ 491,975

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital Assets being Depreciated furniture fixture and Equipment	2,799	40,699		43,498
	=====	=====	=====	=====
Total Capital Assets	2,799	40,699	-	43,498
being depreciated Less Accumulated Depreciation furniture fixture and Equipment	(341)	(5,151)		(5,492)
	=====	=====	=====	=====
Total Accumulated Depreciation	(341)	(5,151)	-	(5,492)
Total Capital assets Being depreciated Net	2,458	35,548	-	38,006
Business Type Activity Capital Assets, Net	2,458	35,548	-	38,006

6. RISK MANAGEMENT

A. Property and Liability

The School 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 2010, the School contracted with St. Paul Travelers for general liability and property insurance and National Union for educational errors and omissions insurance. Settled claims have not exceeded this commercial coverage since formation of School.

B. Workers Compensation

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

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853 or by visiting the web SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 9.09 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 School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2010 were \$85,511.30. 100 percent has been contributed for the fiscal year 2010.

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRSOHIO website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. For the fiscal year ended June 30, 2007, plan members were required to contribute 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 14 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 14 percent. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010 was \$ 208,303.62. 100 percent has been contributed for fiscal year 2010. Contributions to the DC and combined plans for fiscal year 2010 were \$148,788.30 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

The School 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 partial 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.

All STRS Ohio retirees who participated in the DB or combined plans 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. Most 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, 2010, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$12,361.32 for fiscal year 2009.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2010, the balance in the Fund was \$3.01 billion. For the year ended June 30, 2010, net health care costs paid by STRS Ohio were \$425,709,000 and STRS Ohio had 111,853 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 retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, medicare eligibility, and retirement status.

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, 2010, employer contributions to fund health care benefits were 4.16 percent of covered payroll. 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.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2010, the minimum pay was established at \$35,800. However the surcharge is capped at two percent of each employers SERS salaries. For the district, the amount contributed to fund health care benefits, including the surcharge during the 2010 fiscal year equaled \$0.00. The target level for the health care reserve is 150 percent of the annual health care expenses. The most recent disclosure from SERS is on their website as of June 30, 2010.

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Directors.

Vacation Leave: Calendar year employees who are regularly scheduled to work 25 or more hours per week are eligible for vacation leave. Teachers or employees following the academic year calendar are not eligible for vacation leave. Unused accrued vacation leave days may be carried forward into the next year at the rate of one-half of the employee's annual accrual rate. The vacation carried forward is determined as of August 31 each year. Employees who have one year of service or more have access to 50% of their annual vacation accrual at September 1.

If an employee's employment terminates, only the days fully earned at the time of termination would be accrued. No cash out of vacation accrued from year to year unless specifically granted through approval by the President. Accrued vacation leave in excess of amount allowed to be carried forward at September 1 is lost. Upon resignation and receipt of at least two weeks' notice, the Employer will pay in a lump sum payment an amount equal to the individual's daily rate times the number of unused accrued vacation leave days as of the termination date.

Sick Leave: All staff regularly scheduled to work 25 or more hours per week are eligible for sick leave. Teachers and academic year staff accrue one day per month September through May (up to 9 days accrued in an academic year). Calendar year staff accrues one day per month. Maximum days that can be accrued are 120 days. Accrual ceases until balance falls below maximum days. Sick leave is a privilege and is not to be used for any purposes other than those identified in the sick leave policy. Sick leave is never converted into cash payments.

B. Insurance Benefits

The School provides life, dental and medical/surgical benefits to most employees through Anthem Blue Cross/Blue Shield, Delta Dental and Sun Life.

10. CONTINGENCIES

A. Grants

The School 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 grants agreement, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2010.

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

10. CONTINGENCIES (Continued)

B. State Funding

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.

11. MANAGEMENT COMPANY PAYABLE

The Management company payable increased by \$972,444 bringing the total to \$2,604,553. The school continues to grow enrollment and improve the financial outlook in order to repay this amount owed. To address the issue of the schools inability to repay this amount within a short time frame, the schools Education Provider shall, in its sole discretion, cover any deficits of the School in any year in which there is a deficit as long as the deficit is not due to a unilateral decision by the Board to expend additional funds. In the event that the School, in subsequent years, makes a profit, Education Provider may recover any amounts expended to cover previous deficits. This provision shall be effective as of July 1, 2008, and shall apply to all advances (either direct or indirect) previously made to the Board to cover deficits.

12. MANagements Plan to Address the Negative Net Assets

At June 30, 2010, the School had a negative net assets of \$1,834,925.

Management has a plan to address the negative net assets through reducing payroll expenses and implementing various cost cutting measures. Negotiations with several outside vendors to reduce pricing to the school were successful. For fiscal year 2011, the School has reduced 3.5 full time positions and has not filled another 3 approve budgeted positions.

Every effort is being made in all areas of school operation to minimize ongoing deficits. Further steps will be taken to reduce costs and to increase student enrollment through a proactive marketing campaign.

13. PURCHASED SERVICES

Purchased services were composed of the following:

Utilities \$177,659
Rents 500,000
Advertising 22,202
Sponsor Oversight Fees 109,077
Contract Services 309,858
License Fees 217,430
Management Fees 276,326
Cost of Sales-Lunchroom 216,446

Total: \$1,828,998

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

14. OPERATING LEASE

During the year ended June 30, 2010, the School leased classroom facilities and offices for a period of five years. The lease also grants the School an automatic 5 year renewal, upon the renewal of the School's charter. The lease payments are \$ 41,666.66 a month payable in monthly installments. Payments totaled \$ 500,000 for fiscal year 2010.

The following is a schedule of the future minimum lease payments required under the operating lease as of June 30, 2010.

Fiscal Year Ending June 30, 2010

2011	\$ 500,000
2012	\$ 550,000
2013	\$ 550,000

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**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
National School Breakfast Program	10.553	\$68,146	\$68,146
National School Lunch Program	10.555	<u>182,322</u>	<u>182,322</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>250,468</u>	<u>250,468</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States			
IDEA Part B	84.027	87,595	87,595
IDEA ARRA	84.391	<u>43,272</u>	<u>100,344</u>
Total Special Education Cluster		<u>130,867</u>	<u>187,939</u>
Grants to Local Educational Agencies			
Title I Cluster:			
Title I	84.010	362,470	416,825
Title I ARRA	84.389	<u>105,351</u>	<u>250,643</u>
Total Title I Cluster		<u>467,821</u>	<u>667,468</u>
Education Stabilization Fund	84.394	248,302	213,332
Title IV-Safe & Drug Free Schools	84.186	373	0
Title II D - Technology Literacy Challenge	84.318	283	4,601
Title II-A - Improving Teacher Quality	84.367	1,542	14,476
Total Department of Education		<u>849,188</u>	<u>1,087,816</u>
Totals		<u>\$ 1,099,656</u>	<u>\$ 1,338,284</u>

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

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Academy's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



Dave Yost • Auditor of State

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

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

We have audited the financial statements the business-type activities, of Mount Auburn International Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 23, 2011, wherein we noted the Academy is experiencing financial difficulties. 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.

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

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

Compliance and Other Matters

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

Mount Auburn International Academy
Hamilton County
Independent Accountants' Report on Internal Controls Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 23, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 23, 2011



Dave Yost • Auditor of State

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

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

Compliance

We have audited the compliance of Mount Auburn International Academy, Hamilton 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 Mount Auburn International Academy's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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.

We conducted our audit of compliance in accordance with 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*. Those 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 those requirements.

As described in finding 2010-001 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Allowable and Unallowable Activities and Allowable Costs / Cost Principles applicable to its Title I, Part A Cluster major federal program. Additionally, as described in finding 2010-003 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Special Tests and Provisions applicable to its Special Education (IDEA) Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Mount Auburn International Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-001 and 2010-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 to be a significant deficiency.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Mount Auburn International Academy
Hamilton County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

March 23, 2011

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**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A Cluster – CFDA 84.010; 84.389 Special Education (IDEA) Cluster – CFDA 84.027; 84.391
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2010-001

Noncompliance/Material Weakness/Questioned Cost

CFDA Title and Number	Title I, Part A Cluster 84.010 and 84.389
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. 225 Appendix B Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

2 C.F.R. 225 Appendix A Section (E) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
 - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
 - c. Equipment and other approved capital expenditures.
 - d. Travel expenses incurred specifically to carry out the award.

The Academy is required to identify all expenditures that are specifically for the performance of Title I services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from Title I funds. Failure to properly identify allowable costs to the Title I federal program may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.

The Academy did not follow the above guidelines in the following instances:

- The Academy charged the entire salary of their Librarian to the Title I federal programs in the amount of \$22,532. The Academy did not maintain semi-annual certifications or time and effort sheets documenting that the services of the Librarian were specifically for the performance of the Title I federal program. As a result, we are questioning expenditures charged to Title I in the amount of \$22,532.

**FINDING NUMBER 2010-001
 (Continued)**

- 10 out of 40 (25%) non-payroll expenses tested for a total of \$43,510 were for costs deemed to be unallowable due to none of the attendees at the conferences being individuals paid from Title I funds and the trainings were not for technical or Title I related training. In addition, any training conducted at the school related to these conferences was for the benefit of the entire targeted assistance school but paid entirely from the Title I fund. The unallowable costs paid from the Title I fund are broken down by category in the following table:

Fund	Category	Amount
572	Professional Development Seminars	\$38,969
572	Reimbursements for travel (Lodging, Food, mileage, car rental, airfare etc.)	4,541
Total Questioned Costs for Title I		<u>\$43,510</u>

Therefore, we are questioning total Title I costs of \$ 66,042. We recommend the Academy follow 2 C.F.R. 225 Appendix A and B to determine which expenditures are considered to be allowable to be used from federal funds. By following 2 C.F.R. 225 Appendices A and B, the Academy can ensure federal funds are being expended properly, and reduce the possibility of the Academy having to pay back federal funds and/or having federal funds withheld in future years.

Officials' Response:

The School's job title for this "librarian" position is Accelerated Reader/Media Specialist. The AR Media Specialist will complete semi-annual certifications going forward.

The School believes the expenses incurred for professional development under TITLE ONE totaling \$43,510 was compatible with the Federal guidelines and well documented. However, in the future we will follow the guidelines recommended by you.

Auditor of State's Conclusion

Documentation presented by the School did not verify that the training or the personnel attending the training were in compliance with Federal guidelines.

FINDING NUMBER 2010-002

Noncompliance/Significant Deficiency

CFDA Title and Number	Special Education (IDEA) Cluster 84.027 and 84.391
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R 74.25(a)(b) state, in part, that the budget plan is the financial expression of the project or program as approved during the award process. Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions in accordance with this section.

**FINDING NUMBER 2010-002
 (Continued)**

The Academy's actual expenditures for salaries of \$217,691 were \$92,833 or 43% more than the budgeted amount \$124,858 for the Title VI-B program. The final expenditure report was completed with amounts equal to the original budgeted amounts rather than amending the budget for the actual amounts spent, and obtaining the proper approval from the Ohio Department of Education for the variance between the budgeted amounts and actual amounts.

We recommend that the Academy periodically review grant activity and amend the budget when necessary.

Officials' Response:

The variance of 43% of budgeted salaries was due to the School needing to add Special Cost Center coding to the chart of accounts. All salaries paid for this grant were allowable grant expenses. The School will ensure the budgets are in line with the Federal guidelines going forward.

FINDING NUMBER 2010-003

CFDA Title and Number	Special Education (IDEA) Cluster 84.027 and 84. 391
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

2 C.F.R. 176.210 requires recipients to maintain records that identify adequately the source and application of ARRA awards.

The Academy did not separately identify the revenue or the expenditures relating to their ARRA awards in the underlying accounting records. During the year \$43,272 in ARRA awards received and the related expenditures were comingled with the regular IDEA Part B activity in the same fund and special cost center.

Failure to maintain proper records may result in loss of ARRA funding.

We recommend the Academy set up the appropriate special cost center in Fund 516 to adequately track and monitor the revenue and expenditures of the ARRA funding.

Officials Response:

The variance of \$43,272 was due to the School needing to add Special Costs Center coding to the chart of accounts. All expenses for these grants were allowable grant expenses and were able to be presented separately with supporting schedules. The School will take necessary steps in the future in creating the Special Cost Centers.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mount Auburn International Academy, Hamilton County, Ohio (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School adopted an anti-harassment policy at its meeting on September 14, 2010.
2. We read the policy which included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (2) A procedure for reporting prohibited incidents;
 - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (4) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (5) A procedure for documenting any prohibited incident that is reported;
 - (6) A procedure for responding to and investigating any reported incident;
 - (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (9) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 the School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

March 23, 2011



Dave Yost • Auditor of State

MOUNT AUBURN INTERNATIONAL 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
MARCH 31, 2011**