CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Directors
Cincinnati Leadership Academy
7243 Eastlawn Drive
Cincinnati, Ohio 45237

We have reviewed the *Report of Independent Accountants* of the Cincinnati Leadership Academy, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 26, 2010

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CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY
AUDIT REPORT
For the Year Ending June 30, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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 (the Academy) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Leadership Academy as of June 30, 2009, 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 management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2010 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
March 23, 2010

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, 2009. 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.

Financial Highlights

- In total, net assets (deficit) were ($256,287) in 2009.
- Total assets were $88,569 in 2009.
- Liabilities were $344,856 in 2009.

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 2009?" 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 2009:

TABLE I	Governmental Activities June 30 2009	Governmental Activities June 30 2008
Assets		
Current Assets	$ 85,935	$ 96,128
Capital Assets - Net	2,634	-
Total assets	88,569	96,128
Liabilities		
Current Liabilities	344,856	313,380
Total liabilities	344,856	313,380
Net Assets (Deficit)		
Invested in capital assets	2,634	-
Unrestricted	(258,921)	(217,252)
Total net assets (deficit)	$ (256,287)	$ (217,252)

Total net assets for the Academy were $(256,287), due primarily to a working capital note due to the management company. Cash was $3,374. Accounts receivable were $50,554 due primarily to refunds received after year-end and the timing of receipt of grant funding. Capital assets, net of depreciation, were $2,634.

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

TABLE 2	Governmental Activities June 30 2009	Governmental Activities June 30 2008
Operating Revenues		
Foundation Payments	$ 972,715	$ 198,473
Food Services & Other	3,061	1,162
	975,776	199,635
Nonoperating Revenues		
Federal Grants	211,330	7,101
State Grants	5,244	3,000
Contributions and Donations	138,578	-
	355,152	10,101
Total revenue	1,330,928	209,736
Operating Expenses		
Purchased Services	1,227,870	361,743
Materials and Supplies	92,944	38,462
Depreciation (unallocated)	63	-
Other expenses	40,482	17,435
	1,361,359	417,640
Nonoperating Expenses		
Interest	8,604	9,348
Total expenses	1,369,963	426,988
(Decrease) in Net Assets (Deficit)	$ (39,035)	$ (217,252)

The decrease in Net assets of $(39,035) was due solely to there being more expenses than the revenue could cover. The management company for the Academy covered the shortfall in 2009.

Capital Assets

At the end of fiscal year 2009, the Academy had $2,634 invested in furniture, fixtures, and equipment (net of depreciation). The Academy had no capital assets in 2008. Table 3 shows capital assets (net of depreciation) for the fiscal year 2009.

TABLE 3

	2009
Furniture, fixtures and equipment	$2,634

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

Current Financial Issues

Cincinnati Leadership Academy was formed in 2007 under a contract with the Buckeye Community Hope Foundation. During the 2008-2009 school year there were 141 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2009 amounted to $972,715.

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 LEADERESHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:		
Current Assets:		
Cash and Cash Equivalents	$	3,374
Intergovernmental Receivables		50,554
Prepaid Items		17,007
Deposits		15,000
Total Current Assets		85,935
Non-Current Assets:		
Capital Assets:		
Depreciable Capital Assets, Net		2,634
Total Non-Current Assets		2,634
Total Assets		88,569
Liabilities:		
Current Liabilities:		
Accounts Payable		21,465
Accrued Wages Payable		58,822
STRS-SERS Payable		14,569
Notes Payable		250,000
Total Current Liabilities		344,856
Net Assets:		
Invested in Capital Assets, Net of Related Debt		2,634
Unrestricted		(258,921)
Total Net Assets	$	(256,287)

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, 2009

Operating Revenues:		
Foundation Payments	$	972,715
Food Services		3,061
Total Operating Revenues		975,776
Operating Expenses:		
Purchased Services (Note 10)		1,227,870
Materials and Supplies		92,944
Depreciation		63
Other		40,482
Total Operating Expenses		1,361,359
Operating Loss		(385,583)
Non-Operating Revenues and Expenses:		
Federal Grants		211,330
State Grants		5,244
Contributions and Donations		138,578
Interest and Fiscal Charges		(8,604)
Total Non-Operating Revenues and Expenses		346,548
Change in Net Assets		(39,035)
Net Assets Beginning of Year		(217,252)
Net Assets End of Year	$	(256,287)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 972,715
Cash Received for Food Services	3,061
Cash Payments to Suppliers for Goods and Services	(1,285,857)
Net Cash Used for Operating Activities	(310,081)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	171,667
State Grants Received	8,218
Contributions and Donations	138,578
Proceeds of Short-Term Loans from Management Company	367,635
Repayment of Short-Term Loans to Management Company	(363,269)
Proceeds from Notes	550,000
Principal Payments	(600,000)
Net Cash Provided by Noncapital Financing Activities	272,829
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(2,697)
Interest Payments	(8,812)
Net Cash Used for Capital and Related Financing Activities	(11,509)
Net Increase in Cash and Cash Equivalents	(48,761)
Cash and Cash Equivalents at Beginning of Year	52,135
Cash and Cash Equivalents at End of Year	$ 3,374

(Continued)

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (385,583)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	63
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,327
Decrease in Prepaid Items	11,792
(Increase) in Deposits	(15,000)
Increase in Accounts Payable	11,897
Increase in STRS-SERS Payable	12,876
Increase in Accrued Wages Payable	52,546
Total Adjustments	75,501
Net Cash Provided by Operating Activities	$ (310,081)

Noncash Transactions:

A liablility to the management company in the amount of $245,634 was converted to a note of $250,000 during 2009.

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 four 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 ten certificated teachers who provide services to 141 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 $2,500 for furniture and equipment, land, and buildings. Software costing more than $10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets 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

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 $15,000, 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 and/or savings accounts at local banks; 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, 2009, consisted primarily 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:

Intergovernmental Receivables	Amounts
Title I	$ 22,701
Child Nutrition	10,282
Title IIA	1,433
Restricted Grants-In-Aid Special Ed Part B	8,946
Due from TLG	7,191
Total Intergovernmental Receivables	$ 50,554

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Business-Type Activity				
Capital Assets Being Depreciated				
Buildings & Improvements	-	$ 2,697	-	$ 2,697
Total Capital Assets Being Depreciated	-	2,697	-	2,697
Less Accumulated Depreciation:				
Buildings & Improvements	-	(63)	-	(63)
Total Accumulated Depreciation	-	(63)	-	(63)
Total Capital Assets Being Depreciated, Net	-	$ 2,634	-	$ 2,634

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

6. RISK MANAGEMENT- (continued)

A. Property and Liability-(continued)

Coverage is as follows:

Educator's Legal Liability:	
Per occurrence	$3,000,000
Aggregate	4,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
BPP	100,000
BI	100,000
Umbrella	2,000,000

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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 2009, 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009 and 2008 were $4,764 and $7,006, respectively; 75.5 percent has been contributed for fiscal year 2009 and 100% has been contributed for 2008.

7. DEFINED BENEFIT PENSION PLANS-(continued)

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

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009 and 2008 were $48,444 and $20,267, respectively; 75.5 percent has been contributed for fiscal year 2009 and 100% has been contributed for 2008.

8. POSTEMPLOYMENT BENEFITS

School Employee Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part b Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was $35,800.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2009 was $2,180. 75.5 percent has been contributed for fiscal year 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 were $393 and $1,356, respectively. 75.5 percent has been contributed for fiscal year 2009 and 100% has been contributed for 2008.

State Teachers Retirement System

The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009 and 2008 were $3,726 and $1,683, respectively. 75.5 percent has been contributed for fiscal year 2009 and 100% has been contributed for 2008.

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

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 $3,190.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$ 466,591
Fringe Benefits	176,182
Repairs and maintenance	9,143
Legal	12,082
Advertising	17,845
Gas and Electricity	40,751
The Leona Group, LLC.	137,953
Cleaning Services	11,320
Communications	2,564
Food Services	67,412
Other rentals and leases	5,736
Building lease agreements	115,000
Other Professional and Technical Services	165,291
Total Purchased Services	$ 1,227,870

11. 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 $115,000 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.

11. OPERATING LEASES-(continued)

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2009.

Fiscal Year Ending June 30,	Facility Lease
2010	$ 132,000
2011	144,000
2012	156,000
Total minimum lease payments	$ 432,000

12. NOTES PAYABLE

Debt activity during 2009 was as follows:

	Balance at 07/01/08	Additions	Reductions	Balance at 06/30/09
Note Payable-Charter One Bank	$ 50,000	$ 550,000	$ 600,000	$ -
Note Payable - The Leona Group	-	250,000	-	250,000
Total	$ 50,000	$ 800,000	$ 600,000	$ 250,000

The Academy entered into a loan with Charter One Bank for $550,000 on September 30, 2008. 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 matured June 30, 2009.

The Academy entered into a loan agreement with TLG for working capital in June 2009 for $250,000 at annual interest rate of 5%. The note required monthly payments of $5,757, including interest, beginning July 1, 2009 with a maturity of June 30, 2013.

13. RELATED PARTY TRANSACTIONS/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 owed to TLG for fiscal period 2009 totaled $137,953 which was donated. 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.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT-(continued)

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

Expenses	2009
Salaries and Wages	$ 466,591
Employee Benefits	171,849
Professional and Technical Service	13,801
Travel	1,478
Communications	1,291
Contracted Craft or Trade Services	917
Other Supplies	2,756
Other Direct Costs	5,336
Total Expenses	$ 664,019

At June 30, 2009, the Academy had a receivable from The Leona Group, LLC in the amount of $7,191. This is due to the proceeds of a working capital loan in the amount of $250,000. These proceeds were credited to the Contracts Payable account resulting in a debit balance, which was moved to Accounts Receivable at June 30, 09. The following is a summary of the activity with The Leona Group, LLC:

Short Term Loans	$ 236,769
Miscellaneous	6,040
Working Capital Note	(250,000)
Net Receivable	$ (7,191)

14. SUBSEQUENT EVENTS

The Academy entered into a loan agreement with Charter One Bank on October 9, 2009 with a maturity date of June 30, 2010. This agreement provided the Academy with $250,000 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.

During fiscal year 1010, The Leona Group, LLC waived the fiscal year 2008 and fiscal year 2009 management fees in the amount of $25,168 and $137,953, respectively, in return for the right to earn supplemental management fees in future periods based upon the financial and academic success of the Academy.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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, 2009, and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
March 23, 2010

CINCINNATI LEADERSHIP ACADEMY
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Material weakness: minor purchases recorded as capital assets	Yes	
2008-002	Material weakness-Prepaid assets not properly stated	Yes	
2008-003	Board not attending required training/Board not meeting required number of times per year	Yes	

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

Ohio Revised 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 Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Cincinnati Leadership Academy has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The 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 purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on May 19, 2009;

2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident to 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;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any report incidents;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure from 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;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report 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 is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 23, 2010

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
JUNE 8, 2010

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