COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

TABLE OF CONTENTS

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

Columbus Preparatory Academy
Franklin County
3330 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbus Preparatory Academy, Franklin County, Ohio, 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 accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy's deficit net assets ($2,234,124) and operating loss ($1,150,772) raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

The discussion and analysis of the Columbus Preparatory Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its fifth year of operation during fiscal year 2009 serving grades kindergarten through eighth grade. Enrollment varied during the year but averaged 563 students, consistent with fiscal 2008.

Key highlights for fiscal year 2009 are as follows:

- Net assets decreased $247,758 as compared to $261,213 in the prior fiscal year.
- The Academy had an operating loss of $1,150,772 as compared to an operating loss of $686,419 in the prior fiscal year.
- Total assets increased $172,226, mostly due to the acquisition of capital assets.
- Total liabilities increased $419,984 due to the financing of the capital asset acquisitions and an increase in related party payables.

Overview of the Financial Statements

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

Financial Analysis of the Academy as a Whole

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

Table 1 provides a summary of Academy's net assets for 2009 compared to 2008:

Table 1
Net Assets

	2009	2008	Change
Assets:			
Current Assets	$263,348	$237,704	$25,644
Capital Assets	211,832	65,250	146,582
Total Assets	475,180	302,954	172,226
Liabilities:			
Current Liabilities	2,400,207	1,979,320	420,887
Long-Term Liabilities	309,097	310,000	(903)
Total Liabilities	2,709,304	2,289,320	419,984
Net Assets:			
Invested in Capital Assets, Net of Related Debt	34,247	65,250	(31,003)
Unrestricted	(2,268,371)	(2,051,616)	(216,755)
Total Net Assets	($2,234,124)	($1,986,366)	($247,758)

Total net assets decreased $247,758. The cause of the decrease was the Board's recognition of the need to continue to offer programming that would accelerate learning of underperforming students faster than the traditional single grade level gains. The goal of the Board and management is to grow enrollment to be closer to the capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Enrollment at the end of fiscal 2009 was 563 students. During fiscal 2009, the Academy completed renovations to the building which added new classroom space. Current capacity for the facility is 650 students. For the fall of 2010, the Academy's enrollment is 611 students. The Academy further plans to renovate the second floor of the building during fiscal 2010 thereby increasing capacity to 700 students. The second floor is expected to be available for use for the fall of fiscal 2011. However, management is projecting a small surplus for fiscal year 2010.

Based on continued analysis of enrollment data, the Board and its management are committed to following the plan to invest in the future of the children of this community, not based on a plan that is expected to generate economic profits, but rather on a plan that is economically sustainable over the long term and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary program are being made available by delaying payment on invoices from the Academy's management company for certain rent, management services, operating expenses and personnel services.

Table 2 reflects the changes in net assets for fiscal year 2009 as compared to 2008.

Table 2
Change in Net Assets

	2009	2008	Change
Operating Revenues:			
Foundation	$3,840,306	$3,700,586	$139,720
Charges for Services	128,618	123,272	5,346
Miscellaneous	30,870	290	30,580
Non-Operating Revenues:			
Federal/State Restricted Grants	1,014,535	550,751	463,784
Total Revenues	$5,014,329	$4,374,899	$639,430
Operating Expenses:			
Building	894,006	816,068	77,938
Purchased Services	3,961,101	3,294,502	666,599
Depreciation	43,973	38,470	5,503
General Supplies	182,916	318,236	(135,320)
Other Operating Expense	68,570	43,291	25,279
Non-Operating Expenses:			
Interest	111,521	125,545	(14,024)
Total Expenses	$5,262,087	$4,636,112	$625,975
Total Increase (Decrease) in Net Assets	($247,758)	($261,213)	$13,455

Fiscal year 2009 showed an increase in revenues and expenses which is primarily due to an increase in entitlement grants received by the Academy.

Budgeting

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Academy had $34,247 invested in capital assets (net of accumulated depreciation and related capital leases payable) for computer and other equipment, a decrease of $31,003. The following table shows fiscal year 2009 compared to 2008:

Capital Assets at June 30 (Net of Depreciation)

	2009	2008	Change
Computers	$36,208	$65,250	($29,042)
Furniture & Equipment	169,634	0	169,634
Food Service Equipment	5,990	0	5,990
Total Capital Assets - net	211,832	65,250	146,582

The decrease in the computer equipment primarily represents the depreciation expense for the year. In fiscal 2009, the Academy purchased with capital lease financing an HVAC unit which is included in furniture and equipment. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2009, the Academy had $841,216 in notes and capital leases outstanding, of which $532,119 is due within one year. The following outstanding table summarized the Academy's debt outstanding as of June 30, 2009.

Outstanding Debt, at Year End

	2009	2008	Change
Capital Leases Payable	$177,585	$0	$177,585
Mosaica Education Promissionary Note	663,631	713,631	(50,000)
Total	$841,216	$713,631	$127,585

For further information regarding the Academy's debt, refer to Note 13 to the basic financial statements.

Economic Factors

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

Operations

Columbus Preparatory Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any question concerning this report, please contact Robert Lotz, Treasurer for Columbus Preparatory Academy, 3333 Chippewa Street, Columbus, Ohio 43204.

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COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 96,950
Accounts Receivable	794
Intergovernmental Receivable	130,526
Prepaid Expense	35,078
Total current assets	263,348
Noncurrent assets:	
Capital Assets, net of Accumulated Depreciation	211,832
Total assets	475,180
Liabilities:	
Accounts Payable, Trade	152,529
Accounts Payable, Related Party	1,715,223
Accrued Interest	336
Current Portion of Long-term Debt	532,119
Total current liabilities	2,400,207
Noncurrent liabilities:	
Non Current Portion of Long-term Debt	309,097
Total liabilities	2,709,304
Net Assets	
Invested in Capital Assets	34,247
Unrestricted Net Assets	(2,268,371)
Total Net Assets	$ (2,234,124)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Community School Foundation	$ 3,840,306
Charges for Services	128,618
Miscellaneous	30,870
Total Operating Revenues	3,999,794
Operating Expenses:	
Building	894,006
Purchased Services	3,961,101
Depreciation	43,973
General Supplies	182,916
Other Operating Expenses	68,570
Total Operating Expenses	5,150,566
Operating Loss	(1,150,772)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	1,014,535
Interest Expense	(111,521)
Net Nonoperating Revenues and Expenses	903,014
Change in Net Assets	(247,758)
Net Assets (Deficit) Beginning of Year	(1,986,366)
Net Assets (Deficit) End of Year	$ (2,234,124)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 3,853,529
Charge for Services	128,064
Other Operating Receipts	30,870
Cash Payments to Suppliers for Goods and Services	(4,831,576)
Net Cash Used for Operating Activities	(819,113)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Short-term Financing Payments	(46,419)
Federal and State Grant Receipts	1,045,793
Net Cash Provided by Noncapital Financing Activities	999,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note Payable Interest Payments	(59,915)
Note Payable Principal Payments	(50,000)
Capital Lease Interest Payments	(4,850)
Capital Lease Principal Retirement	(9,977)
Purchase of Assets	(2,993)
Net Cash Used for Capital and Related Financing Activities	(127,735)
Net Increase in Cash and Cash Equivalents	52,526
Cash and Cash Equivalents - Beginning of the Year	44,424
Cash and Cash Equivalents - Ending of the Year	96,950

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(1,150,772)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	43,973
Changes in assets and liabilities:	
Decrease in Receivables	12,669
Increase in Prepaid Expense	(17,044)
Decrease in Accounts Payable, Trade	(60,406)
Increase in Accounts Payable, Related Party	352,467
Net Cash Used for Operating Activities	$ (819,113)

Noncash capital and related financing activities

The Academy entered into capital lease agreements for $187,562 for the purchase of a HVAC unit, computer equipment, software, and furniture.

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School

The Columbus Preparatory Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008 and subsequently renewed for a ten year term set to expire on June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Academy's Governing Board also serves as the Board for Columbus Arts and Technology Academy.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 16.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2009.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2009, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2009 consisted of computers and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Description	Useful Lives
Furniture and Equipment	5-20 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2009, there were no net assets restricted by enabling legislation.

The statement of net assets reports $34,247 invested in capital assets net of related debt.

I. Operating Revenues and Expenses

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

J. Estimates

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

K. Economic Dependency

The Academy receives approximately 96% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Note 3 – Changes in Accounting Principles

There were no changes in accounting principles implemented during 2009 that would have a material effect on the financial statements.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2009 the bank balance of Academy's deposits was $129,939. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2009, the Academy had intergovernmental receivables, in the amount of $130,526. The receivables are expected to be collected within one year.

Grant	Amount
National School Lunch Program	$8,287
School Improvement Grant	13,898
Title I	90,758
Title IV	3,729
Title V	262
School Counselor Grant	13,592
Total Intergovernmental Receivables	$130,526

Note 6 - Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Computers, Furniture & Equipment	$195,450	$190,555	$0	$386,005
Less Accumulated Depreciation	(130,200)	(43,973)	0	(174,173)
Capital Assets, Net	$65,250	$146,582	$0	$211,832

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Academy contracted with Pashley Insurance Agency to obtain insurance coverage with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

Note 7 - Risk Management (Continued)

General Liability:		
Each Occurrence		$1,000,000
Aggregate Limit		2,000,000
Products - Completed Operations Aggregate Limit		2,000,000
Medical Expense Limit - Any One Person/Occurrence		10,000
Damage to Rented Premises - Each Occurrence		300,000
Personal and Advertising Injury		1,000,000
Automobile Liability:		
Bodily Injury Limit		1,000,000
Excess/Umbrella Liability:		
Each Occurrence		8,000,000
Aggregate Limit		8,000,000
Excess/Umbrella Liability:		
Building&BPP		7,335,300

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

Note 8 – Purchased Services

For the period July 1, 2008 through June 30, 2009, purchased service expenses were as follows:

Purchased Service	Amount
Personnel Services	$2,573,611
Building Services	326,663
Food Service	206,221
Student Services	81,293
Instructional and Administrative Services	650,481
Professional Services	21,491
Sponsor Services	77,071
Advertising	24,270
Total	$3,961,101

Note 9 – Defined Benefit Pension Plans

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources.**

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contribution to SERS for the years ended June 30, 2009, 2008, and 2007 were $33,542, $27,774 and $28,667, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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, by calling (888) 227-7877, or by visiting the STRS Ohio web site at **www.strsoh.org**.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

Note 9 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $200,075, $161,687 and $119,645 respectively; 93 percent has been contributed for the fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for the fiscal year 2009 were $0 made by the Academy and $0 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2009, none of the Academy staff have elected Social Security.

Note 10 – Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40, SERS' reimbursement to retirees was $45.50.

<u>Note 10 – Postemployment Benefits</u> (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The Academy's contributions for the years ended June 30, 2009, 2008, and 2007 were $2,417, $2,417, and $2,001, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy contributes assigned to health care for the years ended June 30, 2009, 2008, and 2007 were $15,306, $12,674, and $8,911, respectively.

The SERS Retirement Board establishes the rules for the premiums paid to the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plain selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources.**

B. State Teachers Retirement System

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

Note 10 – Postemployment Benefits (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 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, 2008, and 2007 were $15,390, $12,437 and $10,259 respectively; 93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 11 - Contingencies

A. Grants

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

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the review for 2008-2009 by the Ohio Department of Education did not result in significant adjustments in state funding.

Note 12 – Building Leases

The Academy has entered into a lease for the period from January 2005 through December 2019 with EFA Company, LLC a wholly owned subsidiary of Mosaica Education, Inc. for the use of the main building and grounds as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 16. Net occupancy costs incurred totaled $894,006 for the fiscal year. Under the lease agreement, the Academy is responsible for paying all utilities, maintenance and repairs, and applicable property taxes. The following summarizes the occupancy costs for the Academy:

Base rent	$800,978
Property taxes	166,978
Miscellaneous maintenance	6,500
Less: Rental income from Mosaica Education for office space	(80,450)
Net Occupancy Costs	$894,006

Property taxes are accrued but remain unpaid. The owner / landlord has filed for property tax exemption under Ohio Revised Code 5709.07 and 3314.08. The application was pending at June 30, 2009.

Note 12 – Building Leases (Continued)

There are scheduled inflationary rent adjustments (lesser of 5% or CPI factor) effective January 1 once every two years. The lease also stipulates that renovation investments in the building by the owner will cause the rent to increase by an annual factor of 9.25% - 10% of the investment. During fiscal 2009, the owner invested $918,652 into the property. Additional investments are planned for fiscal 2010.

The following is a schedule of the future minimum payments for base rent required under the operating as of June 30, 2009 (does not include additional building investments by the owner / landlord):

Fiscal Year Ending June 30	Amount
2010	$ 851,016
2011	872,286
2012	893,556
2013	915,900
2014	938,244
2015-2019	4,508,250
Total minimum lease payments	$8,979,252

Note 13 – Long-Term Obligations

Changes in the Academy's long-term obligations during fiscal year 2009 were as follows:

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Amount Due Within One Year
Mosaica Education, Inc. Promissory Note	$713,631	$0	($50,000)	$663,631	$508,631
Capital Leases Payable	0	187,562	(9,977)	177,585	23,488
Long-Term Obligations	$713,631	$187,562	($59,977)	$841,216	$532,119

Mosaica Education, Inc. Promissory Note- On December 7, 2005, the Academy entered into a promissory note with Mosaica Education, Inc for the some outstanding accounts payables. The promissory note has an interest rate of 9.0 percent and will mature in fiscal year 2011. During fiscal year 2009 the Academy paid $50,000 of the outstanding principal balance to Mosaica Education, Inc.

Note 13 – Long-Term Obligations (Continued)

The principal and interest requirements to retire the promissory note with Mosaica Education, Inc. outstanding at June 30, 2009, were as follows:

	Promissory Note	
Fiscal Year Ending June 30	Principal	Interest
2010	508,631	159,338
2011	155,000	13,950
Total	$663,631	$173,288

Note 14 – Capital Lease-Lessee Disclosure

In fiscal 2009, the Academy entered into three capitalized leases for the purchase of: HVAC unit, computer equipment, software, furnishings and classroom supplies. The leases meets the criteria of capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The lease terms range from 60 to 84 months with a combined monthly base payment of $3,303. The following is a schedule of the future minimum lease payments required under the capital leases:

Year Ending June 30,	Base Payments Required
2010	$39,636
2011	39,636
2012	39,636
2013	38,352
2014	29,813
Thereafter	51,096
Total future minimum lease payments	$238,169
Less: amount representing interest	(60,584)
Present value of future minimum lease payments	$177,585

The following summarizes the capital lease activity for the year ended June 30, 2009:

	Amount
Capital Leases Payable - June 30, 2008	$0
Add: Capital Lease additions	187,562
Less: Capital Lease principal paydowns	(9,977)
Capital Leases Payable - June 30, 2009	$177,585

Note 15 –Tax Exempt Status

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

Note 16 – Related Party Transactions/Management Company

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

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2009 was $623,583. In addition, upon termination of the agreement due to the nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay Mosaica Education, Inc. $100,000 per year for three consecutive years.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid to Mosaica Education Inc. during fiscal year 2009 were $3,104,904.

At June 30, 2009, the Academy had payables to Mosaica Education, Inc. in the amount of $1,715,223. The following is a schedule of payables owed to Mosaica Education, Inc.

	Amount
Payroll	$536,681
Management Fee	242,255
Building Rent	141,836
Real Estate Taxes	670,990
Finance Charges and Note Interest	106,685
Miscellaneous	16,776
Total June 30, 2009	$1,715,223

In addition, at June 30, 2009 the Academy owed Mosaica Education, Inc $663,631 for a promissory note agreement dated December 7, 2005. See Note 13.

Note 17 – Sponsor

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) through June 30, 2018. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation and other state aid. Total amount due and paid for fiscal year 2009 was $77,071.

Note 18 – Management's Plan

For fiscal year 2009, the Academy had an operating loss of ($1,150,772), a decrease in net assets of ($247,758), and a cumulative net asset deficit of ($2,234,124). Projected revenues and expenses for fiscal year 2010 indicate the Academy will generate a small surplus. However, as of December 31, 2009 the Academy's change in net assets was ($234,763) and net asset deficit was ($2,468,887)

Final full-time equivalent student enrollment was 563 and 565 students for the fiscal years ending June 30, 2009 and 2008. Current full-time equivalent student enrollment as of December 2009 is 618 students. Management is moving forward with its plans to renovate the second floor of the facility and thereby expand classroom space to allow for more students. Furthermore, management plans to continue to increase enrollment through active advertising via print, radio, mailings, and through referrals of current parents which will help to generate future surpluses.

Note 19 – Subsequent Event

An amended and restated Management Agreement was signed and approved by the Academy's Board of Directors effective July 1, 2009. The amended agreement established a schedule of payment by the Academy to Mosaica Education, Inc for the $300,000 start-up fee originally agreed upon in the February 12, 2004 Management Agreement. The amended agreement states that the start-up fee is a promissory note to be repaid with no interest starting July 1, 2009 and amortized through June 30, 2018 with regular equal monthly payments to be made on the fifteenth day of each month, starting with the first month after the start date. Upon any termination or expiration of this agreement by either party for any reason, the entire unpaid principle balance together with all accrued interest of the start-up note shall become due and payable by the Academy to Mosaica Education, Inc.

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COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	$ 51,240	$ 51,240
National School Lunch Program	10.555	184,640	184,640
Total U.S. Department of Agriculture-Nutrition Cluster		235,880	235,880
United States Department of Education			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	527,542	505,789
Special Education Grants to States	84.027	131,855	138,432
Safe and Drug Free School and Communities State Grants	84.186	2,490	2,180
State Grants for Innovative Programs	84.298	1,114	1,858
Improving Teacher Quality State Grants	84.367	23,378	23,221
Education Technology State Grants	84.318	8,556	7,320
School Improvement Grant	84.377	46,102	36,322
Total United States Department of Education		741,037	715,122
TOTAL FEDERAL AWARDS		**$ 976,917**	**$ 951,002**

The accompanying notes are an integral part of this schedule.

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – TRANSFERS

The Academy generally must spend Federal Assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, an Academy can transfer unspent Federal Assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.010	Title I Grant to LEA	2008	$215,430	
84.010	Title I Grant to LEA	2009		$215,430
84.367	Improving Teacher Quality	2008	$9,286	
84.367	Improving Teacher Quality	2009		$9,286
84.318	Education Technology Grant	2008	$972	
84.318	Education Technology Grant	2009		$972
84.186	Safe & Drug Free Schools	2008	$817	
84.186	Safe & Drug Free Schools	2009		$817
84.298	Innovative Education Program	2008	$806	
84.298	Innovative Education Program	2009		$806

Mary Taylor, CPA
Auditor of State

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

Columbus Preparatory Academy
Franklin County
3330 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

We have audited the basic financial statements of Columbus Preparatory Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 19, 2010 wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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 internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Academy's management in a separate letter dated January 19, 2010.

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Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated January 19, 2010.

We intend this report solely for the information and use of management, the Board of Directors, the Ohio Council of Community Schools, and federal awarding agencies, and pass through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

Mary Taylor, CPA
Auditor of State

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

Columbus Preparatory Academy
Franklin County
3330 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

Compliance

We have audited the compliance of Columbus Preparatory Academy, Franklin 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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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.

In our opinion, the Columbus Preparatory Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

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Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all efficiencies in the Academy's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned function, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2009-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider 2009-001 to be a material weakness.

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

We intend this report solely for the information and use of management, the Board of Directors, the Ohio Council of Community Schools, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

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

Board of Director's Oversight of Federal Funds

Finding Number	2009-001
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
Federal Award Year	2009
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency/Material Weakness

The Academy contracts with Mosaica Education, Inc. for the operations at the School, including the management and administration of federal grant funds. While the Academy relies on Mosaica Education, Inc. for management and administration of these funds, the Board of Directors are responsible for the management company's activities since the Academy is considered the subrecipient of the federal grant funds.

The Academy should not defer their responsibilities for the management and administration of grant funds to Mosaica Education, Inc., who have a vendor relationship with the Academy. The Academy is required to have policies in place to comply with federal compliance requirements, including but not limited to procurement requirements. Schools that receive federal funds must comply with 34 CFR 80.36, *Procurement* and 34 CFR 74.40, *Purpose of Procurement Standards*.

Employees of Mosaica Education, Inc. maintain the Academy's bank account, but can only manage and administer the federal programs on-behalf of the Academy. It is the responsibility of the Board of Directors as representatives of the Academy to have formal policies or procedures in place to authorize approve and oversee the federal grant funds under their authority. Currently the Board of Directors reviews monthly overall financial activity of the Academy as opposed to a detailed review of federal activity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Board of Director's Oversight of Federal Funds (Continued)

Finding Number	2009-001
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency/Material Weakness (Continued)

We recommend that the Board of Directors implement procedures to authorize, approve, and oversee the federal funds of the Academy. Suggested policies and procedures include establishing a formal policy regarding competitive bidding or quotes, monitoring the annual application for federal funds, reviewing a monthly list expenses charged against each federal grant, and reviewing the final expenditure report for each grant at the end of each grant year.

Officials Response/Corrective Action Plan

While it is accurate that the Academy's Board contracts for the administration, oversight and reporting of its state and federal programs, it is important to note that in no circumstances has the Academy's management company, Mosaica Education, ever received disbursements of state or federal grant funds from the Ohio Department of Education. In fact, the Ohio Department of Education has all state and federal funds directly deposited in the Academy's bank account. As such, the Academy has physical custody of all local, state and federal funds. In addition, prior to the start of each fiscal year, the Academy's Board adopts a budget that specifies at the line item level how local, state and federal sources can be spent. The Board budget is revised periodically throughout the year to keep it aligned with the way the Ohio Department of Education approves spending for the various state and federal grant programs. If the Board were to disagree with the way local, state or federal programs have been budgeted, they have the ability to request that changes be made prior to adoption of the budget. As noted by the auditors, the Board does receive line item budget to actual reports with each grant grouped separately on a monthly basis to keep them informed as to the progress of spending dollars in accordance with the budget they and the Ohio Department of Education have approved. The Board and its administrative team agree to abide by federal grant program guidelines as a condition of receiving federal funding. The Board and its management believe that this finding does not accurately reflect the true level of involvement of the Academy's Board as the Board does fulfill its fiscal responsibilities by actively monitoring the operations of the Academy, including federal and state grant programs through monthly budget to actual comparison reporting that details expenditures at the individual grant line item level.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Board of Director's Oversight of Federal Funds (Continued)

Finding Number	2009-001
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency/Material Weakness (Continued)

Auditor of State Conclusion:
Although there is a bank account maintained in the Academy's name, employees of Mosaica Education, Inc. administer the funding that is collected and spent from that bank account. In addition, the federal grants of the Academy are applied for and administered in the Academy's name by employees of Mosaica Education, Inc. The Auditor of State is recommending that the Board authorize grants to be received by Academy, ensure policies and procedures are in place to ensure proper procurement of federal funds, and oversee the grant expenditures throughout the year to ensure that federal monies are spent in accordance to the grant applications.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
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	Debt payments in accordance with Promissory Note Agreement	No	Not Corrected: this finding is being repeated in the management letter
2008-002	Board Members – Noncompliance	Yes	N/A

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Mary Taylor, CPA
Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Columbus Preparatory Academy
Franklin County
3330 Chippewa Street
Columbus, Ohio 43204

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the 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 the Columbus Preparatory Academy, Franklin County, Ohio (the Academy) 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 Board adopted an anti-harassment policy at its meeting in October 18, 2007.

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

   (1) A statement prohibiting harassment, intimidation, or bullying of any student 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 Rev. 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 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 reported incident;

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

(9) 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;

3. We read the policy, noting it did not include the following requirement from Ohio Rev. Code Section 3313.666 (B):

   (1) A requirement that the Academy administration semiannually provide the president of the Board of Directors 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.

Official's Response:
The Academy's Board and its management are researching the relevant ORC Statute and anticipate formalizing an amendment to require semiannual reporting of incidents to the Board of Directors.

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 of Directors, management, and the Ohio Council of Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

Mary Taylor, CPA
Auditor of State

COLUMBUS PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 6, 2010

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