

**AMERICAN LEADERSHIP ACADEMY,
INCORPORATED**

FINANCIAL STATEMENTS
AND REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
American Leadership Academy, Incorporated

We have audited the statement of financial position of American Leadership Academy, Incorporated (a Utah nonprofit organization) as of June 30, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of American Leadership Academy, Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from American Leadership Academy, Incorporated's 2010 financial statements and, in our report dated November 18, 2010 we expressed an unqualified opinion on those financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of American Leadership Academy, Incorporated as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of American Leadership Academy, Incorporated'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. 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of American Leadership Academy, Incorporated taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

November 14, 2011

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
STATEMENT OF FINANCIAL POSITION

June 30, 2011, with Comparative Totals for 2010

	2011	2010
Assets:		
Cash	\$ 1,593,181	\$ 1,637,949
Investments restricted for debt service and capital improvements	2,518,815	2,529,328
Receivables:		
Local	50	-
Federal	426,066	12,565
Bond issuance costs, net of accumulated amortization	527,203	548,014
Capital assets:		
Land	1,930,000	1,930,000
Buildings, improvements and other depreciable assets, net of accumulated depreciation	<u>20,285,806</u>	<u>20,895,340</u>
Total assets	27,281,121	27,553,196
Liabilities:		
Accounts payable	53,464	26,670
Payroll and related benefits payable	826,477	692,347
Unearned revenue:		
State	364,293	225,491
Accrued interest	169,074	171,710
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable	400,000	380,000
Obligations under capital lease	60,289	62,596
Portion due or payable after one year:		
Bonds payable, net of unamortized premium	23,635,236	24,037,022
Obligations under capital lease	<u>62,585</u>	<u>122,874</u>
Total liabilities	25,571,418	25,718,710
Net Assets:		
Unrestricted:		
Designated for capital assets, net of related debt	340,287	518,936
Undesignated	<u>1,369,416</u>	<u>1,315,550</u>
Total net assets	<u>\$ 1,709,703</u>	<u>\$ 1,834,486</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
STATEMENT OF ACTIVITIES

Year Ended June 30, 2011, with Comparative Totals for 2010

	2011	2010
Unrestricted Net Assets:		
Revenues and support:		
Local:		
Tuitions and fees	\$ 545,733	\$ 520,034
Food sales	2,610	5,251
Interest	14,429	14,603
Contributions	41,560	37,273
Other	28,780	88,891
State	8,550,437	8,009,149
Federal	<u>804,191</u>	<u>1,151,857</u>
Total revenues and support	9,987,740	9,827,058
Expenses:		
Program services:		
School	8,644,094	8,374,443
Non school programs	642,640	606,796
Food services	<u>235,880</u>	<u>216,679</u>
Total program services	9,522,614	9,197,918
Supporting services:		
General	575,241	461,704
Fundraising	<u>14,668</u>	<u>12,984</u>
Total supporting services	<u>589,909</u>	<u>474,688</u>
Total expenses	<u>10,112,523</u>	<u>9,672,606</u>
Change in Net Assets	(124,783)	154,452
Net Assets at Beginning of Year	<u>1,834,486</u>	<u>1,680,034</u>
Net Assets at End of Year	<u><u>\$ 1,709,703</u></u>	<u><u>\$ 1,834,486</u></u>

The accompanying notes are an integral part of this financial statement.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
STATEMENT OF CASH FLOWS

Year Ended June 30, 2011, with Comparative Totals for 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ (124,783)	\$ 154,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of capital assets	694,521	708,608
(Gain) loss on sale of capital assets	8,672	(20,547)
Amortization of bond issuance costs	20,811	20,811
Amortization of bond premium	(1,786)	(1,785)
Change in fair value of investments	(84)	-
Changes in operating assets and liabilities:		
Receivables	(413,551)	92,965
Accounts payable	26,794	(49,504)
Payroll and related benefits payable	134,130	(15,315)
Unearned revenue	138,802	167,066
Accrued interest	(2,636)	(2,497)
Total adjustments	<u>605,673</u>	<u>899,802</u>
Net cash provided by operating activities	480,890	1,054,254
Cash Flows from Investing Activities:		
Purchases of capital assets	(107,834)	(150,291)
Proceeds from the sale of capital assets	14,175	-
Net sales (purchases) of investments	<u>10,597</u>	<u>(41,390)</u>
Net cash used by investing activities	(83,062)	(191,681)
Cash Flows from Financing Activities:		
Repayment of bonds payable	(380,000)	(360,000)
Repayment of obligations under capital lease	<u>(62,596)</u>	<u>(55,926)</u>
Net cash used by financing activities	<u>(442,596)</u>	<u>(415,926)</u>
Net Change in Cash	(44,768)	446,647
Cash at Beginning of Year	<u>1,637,949</u>	<u>1,191,302</u>
Cash at End of Year	<u>\$ 1,593,181</u>	<u>\$ 1,637,949</u>

Supplemental Data:

During 2011, the School paid interest totaling \$1,369,174.

The accompanying notes are an integral part of this financial statement.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011, with Comparative Totals for 2010

	Program Services			Supporting Services		Totals	
	School	Non School Programs	Food Services	General	Fundraising	2011	2010
Salaries	\$ 4,207,703	\$ 117,425	\$ 20,114	\$ 260,535	\$ 145	\$ 4,605,922	\$ 4,406,209
Employee benefits	1,503,862	1,455	1,945	107,626	33	1,614,921	1,548,563
Professional and technical services	278,842	14,939	30	25,419	2	319,232	341,385
Purchased property services	174,253	12,135	4,454	10,863	277	201,982	153,147
Other purchased services	74,956	3,162	1,160	16,676	72	96,026	91,522
Supplies	499,528	358,803	158,176	19,649	11,064	1,047,220	890,081
Property	96,092	1,767	1,201	1,582	40	100,682	84,868
Other	30,820	767	281	14,568	18	46,454	39,542
Interest	1,184,367	88,051	32,319	78,816	2,010	1,385,563	1,408,681
Depreciation	593,671	44,136	16,200	39,507	1,007	694,521	708,608
Total expenses	<u>\$ 8,644,094</u>	<u>\$ 642,640</u>	<u>\$ 235,880</u>	<u>\$ 575,241</u>	<u>\$ 14,668</u>	<u>\$ 10,112,523</u>	<u>\$ 9,672,606</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization and Activities – American Leadership Academy, Incorporated (the School) was incorporated in the state of Utah on September 10, 2004 as a nonprofit organization involved in public education. The School operates a public charter school in Spanish Fork, Utah, and serves 1,505 students from kindergarten through grade twelve. The School provides the following program services: *school* (instruction and related services), *non school programs* (student activities), and *food services*. Supporting services include *general* (Board-related costs and central services) and *fundraising*.

Basis of Accounting – These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, capital assets, payables, debt, and other liabilities in accordance with accounting principles generally accepted in the United States of America. Expenses are recorded when incurred.

Financial Statement Presentation – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Income Taxes – The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as a Section 501(c)(3) public charity. Also, the School is not subject to state income taxes.

Investments Restricted for Debt Service and Capital Improvements – Included in the proceeds of the bonds issued by the School (see Note 6) are amounts set aside in bond funds for the cost of certain capital improvements to facilities and debt service reserves. Deposits to and withdrawals from these bond funds are governed by the bond agreement. These bond funds are presented as restricted investments and are measured at fair value (see Notes 2 and 3).

Accounts Receivable – The School's accounts receivable consists of amounts due from federal and local sources. No allowance for doubtful accounts has been established, as the School deems all amounts to be fully collectible.

Bond Issuance Costs and Bond Premiums – The School has capitalized certain costs associated with the issuance of its bonds payable. Also, the bonds were issued at a premium. These costs and the premium are being amortized on a straight-line basis over the 30-year life of the bonds.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Capital Assets – Capital assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Capital assets valued at \$10,000 or more are capitalized and depreciated, using the straight-line depreciation method, over the following estimated useful lives of the assets:

<u>Asset Class</u>	<u>Depreciable Lives (Years)</u>
Buildings and improvements	20 to 40
Other depreciable assets	5 to 20

Maintenance, repairs, and renewals, which neither materially add value to the property nor prolong its useful economic life, are charged to expense as incurred.

Donated Services – No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the School with specific programs, administration, fundraising, and Board assignments. The School receives more than 10,000 volunteer hours per year.

Revenue Recognition – Operating funds for the School are derived principally from federal and state sources. The School receives state funding based on the number of students enrolled in the School. The School also receives federal and state grants on a reimbursement basis. Accordingly, grant revenues are recognized when qualifying expenses have been incurred and all other grant requirements have been met. Amounts of restricted grants received in excess of qualifying expenditures are recorded as unearned revenue. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted funds first, then unrestricted resources as they are needed.

Expense Allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses (such as facilities costs, depreciation, and interest expense) related to more than one function are charged to programs and supporting services based on direct costs.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and support and expenses. Actual results could differ from those estimates.

Designation of Unrestricted Net Assets – A designation of net assets shows the School's investment in capital assets net of related debt and adjusted for unspent debt proceeds. Although these net assets are unrestricted, they are not readily convertible to liquid assets due to their long-term nature and use. Further, even though the School's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these obligations.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

Budgetary Information – The School submits a Board-approved annual budget to the Office of the Utah State Auditor in accordance with state requirements. The Board may amend the annual budget prior to year end. The budget is prepared on a modified accrual basis of accounting (similar to the basis of accounting used by governmental funds of a local government). Revenues are budgeted by source. Expenditures are budgeted by function and object and program.

Note 2. Concentrations

Cash Deposits – At June 30, 2011, the School’s book balance of cash accounts totaled \$1,593,181 and the bank balance was \$1,899,284, of which \$1,074,082 was covered by federal depository insurance.

Investments – Investments consist of the following restricted accounts at June 30, 2011:

Bond investment accounts:	
Interest fund	\$ 225,458
Principal fund	266,670
Tax and insurance escrow fund	39,105
Repair and replacement fund	230,140
Expense fund	1,794
Debt service reserve fund	<u>1,755,648</u>
Total	<u>\$ 2,518,815</u>

The School has invested in a mutual fund. The mutual fund is primarily comprised of high-quality U.S. government securities.

The mutual fund is rated at Aaa by Moody’s Investor Service, Inc. and AAAM by Standard and Poor’s Corporation. The investments are held in the name of the School by a financial institution as required by the bond agreement (see Note 6). The mutual fund portfolio is collateralized by the underlying securities and is not otherwise insured. The School has \$2,518,815 invested in the mutual fund at June 30, 2011.

Revenue and Support – The majority of the School’s revenue and support comes from the U.S. Department of Education (passed through the Utah State Office of Education) and the state of Utah. Federal and state revenues are 94 percent of total revenue and support for the year ended June 30, 2011.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements

As described in Notes 1 and 2, the School uses various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the School has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A description of the valuation techniques applied to the School's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Mutual Funds – Valued at the net asset value (NAV) of shares held by the School at year end.

All investments held by the School at June 30, 2011 are categorized in Level 1 of the fair value hierarchy. There have been no changes in valuation techniques and related inputs.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000
Capital assets being depreciated:				
Buildings and improvements	22,353,788	50,409	-	22,404,197
Other depreciable assets	<u>951,918</u>	<u>57,425</u>	<u>(41,547)</u>	<u>967,796</u>
Total capital assets being depreciated	23,305,706	107,834	(41,547)	23,371,993
Accumulated depreciation for:				
Buildings and improvements	(1,941,252)	(543,435)	-	(2,484,687)
Other depreciable assets	<u>(469,114)</u>	<u>(151,086)</u>	<u>18,700</u>	<u>(601,500)</u>
Total accumulated depreciation	<u>(2,410,366)</u>	<u>(694,521)</u>	<u>18,700</u>	<u>(3,086,187)</u>
Total capital assets being depreciated, net	<u>20,895,340</u>	<u>(586,687)</u>	<u>(22,847)</u>	<u>20,285,806</u>
Total capital assets, net	<u>\$ 22,825,340</u>	<u>\$ (586,687)</u>	<u>\$ (22,847)</u>	<u>\$ 22,215,806</u>

Depreciation expense was \$694,521 for the year ended June 30, 2011.

Note 5. Retirement Plans

Defined Benefit Plan – The School contributes to the Public Employees’ Noncontributory Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Public Employees’ Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the Public Employees’ Noncontributory Retirement System are required to contribute 16.32% of the annual covered salary of eligible employees. The School’s contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

The School's required contributions to the Public Employees' Noncontributory Retirement System for the year ended June 30, 2011 total \$457,086. Contributions were paid during the year or shortly thereafter.

Defined Contribution Plan – The School participates in a deferred compensation plan - under Internal Revenue Code Section 401(k) - to supplement retirement benefits accrued by participants in the Systems. During the year ended June 30, 2011, the School's required contributions totaled \$42,596. Employees can make additional contributions. For the year ended June 30, 2011 employees contributed \$33,577. Employer and employee contributions were paid during the year or shortly thereafter. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Systems.

The School also participates in a 457 deferred compensation plan to supplement retirement benefits accrued by participants in the Systems. The School does not make contributions for its employees to the plan; however, employees can make contributions. For the year ended June 30, 2011, employees contributed \$1,950.

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 24,370,000	\$ -	\$ (380,000)	\$ 23,990,000	\$ 400,000
Unamortized premium	47,022	-	(1,786)	45,236	-
Net bonds payable	24,417,022	-	(381,786)	24,035,236	400,000
Obligations under capital lease	185,470	-	(62,596)	122,874	60,289
Total long-term liabilities	<u>\$ 24,602,492</u>	<u>\$ -</u>	<u>\$ (444,382)</u>	<u>\$ 24,158,110</u>	<u>\$ 460,289</u>

Bonds Payable – The School purchased its facilities by issuing \$25,170,000 of bonds on November 1, 2006. The bonds were issued through Spanish Fork City (a local government) in order to receive tax-exempt status through the industrial bond statutes. Spanish Fork City acted as a flow-through conduit in the transaction and is not contingently liable should the School default on the payment of the bonds. The average interest rate on the bonds is 5.6 percent.

Bond proceeds of \$1,755,388 were placed in a debt service reserve fund. These funds along with all interest earnings will be used for the payment of principal and interest in the event other bond funds are insufficient to make such payments when due. Bond proceeds of \$972,959 were placed in principal and interest funds. The remaining bond proceeds of \$22,441,653 were used to purchase the School's facilities and pay bond issuance costs.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

The future debt service of the bonds is summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 400,000	\$ 1,352,587	\$ 1,752,587
2013	425,000	1,330,388	1,755,388
2014	445,000	1,306,800	1,751,800
2015	470,000	1,282,103	1,752,103
2016	495,000	1,256,017	1,751,017
2017 - 2021	2,930,000	5,834,700	8,764,700
2022 - 2026	3,830,000	4,927,275	8,757,275
2027 - 2031	5,035,000	3,729,585	8,764,585
2032 - 2036	6,640,000	2,123,820	8,763,820
2037	3,320,000	189,240	3,509,240
	<u>\$ 23,990,000</u>	<u>\$ 23,332,515</u>	<u>\$ 47,322,515</u>

The bonds were issued at a premium of \$53,569. Amortization expense is \$1,786 for the year ended June 30, 2011. Accumulated amortization is \$8,333 at June 30, 2011.

In conjunction with the bonds, the School incurred issuance costs of \$624,320. Amortization expense relating to issuance costs is \$20,811 for the year ended June 30, 2011. Accumulated amortization is \$97,117 at June 30, 2011.

The Series 2006 bond agreement requires the School to maintain unrestricted cash on hand equal to or greater than 5 percent of the operating expenses for the prior fiscal year, which amount shall be increased to the extent it is not sufficient to meet accrued salary obligations. As of and for the year ended June 30, 2011, the School is in compliance with this requirement. This covenant remains in effect until the bonds are retired.

Obligations Under Capital Leases – The School acquired computer equipment and buses under capital lease agreements. The following is a summary of leased capital assets at June 30, 2011:

Equipment	\$ 327,881
Accumulated depreciation	<u>(195,519)</u>
	<u>\$ 132,362</u>

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

Future minimum payments under capital lease obligations together with their present values as of June 30, 2011 are summarized as follows:

Year Ending June 30,	
2012	\$ 63,839
2013	59,040
2014	<u>4,919</u>
Total minimum lease payments	127,798
Amount representing interest	<u>(4,924)</u>
Present value of minimum lease payments	<u><u>\$ 122,874</u></u>

Note 7. Commitments

The School entered into a noncancelable operating lease for facilities expiring June 30, 2010. The lease was automatically renewed for an additional two years. The lease requires the School to pay all executor costs such as taxes, maintenance and insurance. The lease calls for monthly payments of \$3,200 increasing 3 percent annually. Payments on the lease were \$38,400 for the year ended June 30, 2011.

Future minimum lease payments under the facilities lease are as follows:

Year Ending June 30,	
2012	\$ 39,552
2013	40,740

Note 8. Related Party Transactions

The School paid individuals related to board members \$93,829 during the year ended June 30, 2011. The School also paid individuals related to the director \$20,402 during the year ended June 30, 2011. These payments were in the form of wages for services provided to the School. No amounts were payable to these individuals at June 30, 2011.

The School leases facilities from an entity partially owned by a board member (see Note 7). Total lease payments were \$38,400 for the year ended June 30, 2011.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management

The School is exposed to various risks of loss related to torts, errors and omissions, property, employee health, workers' compensation, and unemployment for which the School carries commercial insurance. For these programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for each of the past three years.

Note 10. Student Fall Enrollment

Student fall enrollment is measured on October 1. Fall enrollments for the past five years are summarized as follows:

<u>Year Ended June 30,</u>	<u>October 1 Enrollment</u>
2011	1,505
2010	1,477
2009	1,432
2008	1,429
2007	1,416

Note 11. Subsequent Events

The School has evaluated subsequent events through November 14, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

	CFDA Number	USOE Revenue Code	Receivable June 30, 2010	Received	Expended	Receivable June 30, 2011
U.S. DEPARTMENT OF AGRICULTURE:						
Passed Through Utah State Office of Education:						
National School Lunch Program	10.555	42/43	\$ -	\$ 150,142	\$ 150,142	\$ -
National School Lunch Program	10.555		-	17,394	17,394	-
			-	167,536	167,536	-
U.S. DEPARTMENT OF EDUCATION:						
Passed Through Utah State Office of Education:						
Title I Grants to Local Educational Agencies	84.010	08	-	23,101	143,248	120,147
Special Education - Grants to States	84.027	19	8,757	37,895	208,019	178,881
Special Education - Preschool Grants	84.173	52	-	-	2,991	2,991
Educational Technology State Grants	84.318	07	-	578	578	-
Improving Teacher Quality State Grants	84.367	74	-	-	14,645	14,645
Title I Grants to Local Education Agencies, Recovery Act	84.389 *	9E	-	-	2,370	2,370
Special Education - Grants to States, Recovery Act	84.391 *	9A	-	60,166	74,146	13,980
Special Education - Preschool Grants, Recovery Act	84.392 *	9B	3,393	3,393	-	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394 *	9M	415	415	-	-
Education Jobs Fund	84.410	9N	-	97,606	190,658	93,052
			12,565	223,154	636,655	426,066
Total federal awards			\$ 12,565	\$ 390,690	\$ 804,191	\$ 426,066

*Indicates program is funded by Recovery Act

The accompanying notes are an integral part of this schedule.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of American Leadership Academy, Incorporated. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

Note B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting (GAAP).

OTHER REPORTS

Year Ended June 30, 2011



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Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Trustees
American Leadership Academy, Incorporated

We have audited the financial statements of American Leadership Academy, Incorporated (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, Office of the Utah State Auditor, and Utah State Office of Education and other awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

November 14, 2011



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**Independent Auditor's Report on Compliance with Requirements
That Could have a Direct and Material Effect on each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Trustees
American Leadership Academy, Incorporated

Compliance

We have audited American Leadership Academy, Incorporated's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of American Leadership Academy, Incorporated's major federal programs for the year ended June 30, 2011. American Leadership Academy, Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of American Leadership Academy, Incorporated's management. Our responsibility is to express an opinion on American Leadership Academy, Incorporated'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Leadership Academy, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of American Leadership Academy, Incorporated's compliance with those requirements.

In our opinion, American Leadership Academy, Incorporated complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of American Leadership Academy, Incorporated 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 American Leadership Academy, Incorporated's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an

opinion on the effectiveness of American Leadership Academy, Incorporated's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

November 14, 2011

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

No matters were reported in the prior year.

AMERICAN LEADERSHIP ACADEMY, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2011

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

-Material weaknesses identified? yes no

- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	Special Education - Grants to States, Recovery Act
84.410	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

II. Financial statement findings:

No matters were reported

III. Federal award findings and questioned costs:

No matters were reported.



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Independent Auditor's Report on Legal Compliance
in Accordance with the *State of Utah*
Legal Compliance Audit Guide

Board of Trustees
American Leadership Academy, Incorporated

We have audited the compliance of American Leadership Academy, Incorporated (the School) with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011.

The general compliance requirements applicable to the School are identified as follows:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other General Issues
- Utah Retirement System Compliance

The School's major state programs are identified as follows:

- Minimum School Program (passed through the Office of Education)

Compliance with the requirements referred to above is the responsibility of the School's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit 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 the *State of Utah Legal Compliance Audit Guide*. Those standards and guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a material effect on a general compliance requirement identified above or a major state program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, American Leadership Academy, Incorporated complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, Office of the Utah State Auditor, and Utah State Office of Education and other awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Squire & Company, PC".

November 14, 2011