

YINGHUA ACADEMY
Minneapolis, Minnesota

Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

**YINGHUA ACADEMY
Minneapolis, Minnesota**

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**YINGHUA ACADEMY
Minneapolis, Minnesota**

**BOARD OF DIRECTORS AND ADMINISTRATION
For the Year Ended June 30, 2010**

<u>Board of Directors</u>	<u>Position</u>	<u>Term Expires</u>
Cindy Moeller	Board Chairperson	2011
Abigail Pribbenow	Secretary	2012
Doug Parish	Treasurer	2012
Janine Trutna	Member	2010
Joe Yang	Member	2010
Luyi Lien	Member	2010
Keri Norell	Member	2011
MaryAnn Choy	Member	2011
Scott Jax	Member	2012
Taoyuan Li	Member	2012
<u>Administration</u>		
Betsy Lueth	Director of Academy	



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INDEPENDENT AUDITOR'S REPORT

September 28, 2010

To the Board of Directors
Yinghua Academy
Minneapolis, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Yinghua Academy, Minneapolis, Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Academy's 2009 financial statements and, in our report dated September 28, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Yinghua Academy, Minneapolis, Minnesota, as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General, Food Service and Community Service Funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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. 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.



U.S. generally accepted accounting principles require that the management's discussion and analysis, which follows this report letter, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The accompanying supplementary information identified in the Table of Contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, to the financial statements as a whole.

A handwritten signature in cursive script that reads "Kern Dewenter, Vice Pres." followed by a small flourish.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota

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**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

This section of Yinghua Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the school year that ended on June 30, 2010. Please read it in conjunction with the Academy's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required new element of required supplementary information specified in the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-2010 fiscal year include the following:

- The total fund balance of the General Fund ended at a positive \$ 303,426.
- Overall General Fund revenues were \$ 2,788,426 as compared to \$ 2,789,831 of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the MD&A (this section), the basic financial statements and supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Government-wide statements.

The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

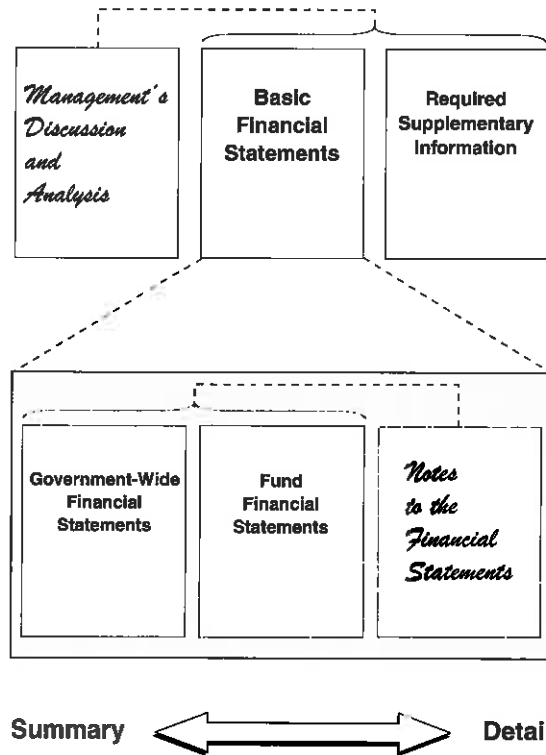
**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

The major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Fund Statements	
			Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire school (except fiduciary funds) and the school's component units	The activities of the school that are not proprietary or fiduciary	Activities the school operates similar to private businesses: self insurance	Instances in which the school is the trustee or agent for someone else's resources
<i>Required financial statements</i>	♦ Statement of net assets	♦ Balance sheet	♦ Statement of net assets	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets ♦ Statement of cash flows	♦ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statements (Continued)

The two government-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities – is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy you need to consider additional non-financial factors such as changes in the Academy's creditworthiness and the condition of academy buildings and other facilities.

In the government-wide financial statements the Academy's activities are shown in one category:

Governmental Activities: Most of the Academy's basic services will be included here, such as regular and special education, transportation and administration. State and federal aids as well as federal and foundation grants financed these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds – focusing on its most significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Academy may establish other funds to control and manage money for specific purposes.

The Academy has one kind of fund:

Governmental Funds: Most of the Academy's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Assets

The Academy's combined net assets were \$ 539,695 on June 30, 2010 (See Table A-1).

**Table A-1
The Academy's Net Assets**

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2010</u>	<u>2009</u>	
Current and Other Assets	\$ 763,067	\$ 514,848	\$ 248,219
Capital and Noncurrent Assets	<u>129,528</u>	<u>61,264</u>	<u>68,264</u>
Total Assets	<u>\$ 892,595</u>	<u>\$ 576,112</u>	<u>\$ 316,483</u>
Current Liabilities	<u>\$ 352,900</u>	<u>\$ 113,034</u>	<u>\$ 239,866</u>
Net Assets:			
Invested in Capital Assets	\$ 129,528	\$ 61,264	\$ 68,264
Restricted	106,741	93,114	13,627
Unrestricted	<u>303,426</u>	<u>308,700</u>	<u>(5,274)</u>
Total Net Assets	<u>\$ 539,695</u>	<u>\$ 463,078</u>	<u>\$ 76,617</u>

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Changes in Net Assets

The Academy's total revenues were \$ 3,138,503 for the period ended June 30, 2010. The majority of the revenues were from state/federal aids and the Community Service Fund, as well as federal grants, private grants and investment earnings. (See Table A-2.)

**Table A-2
Change in Net Assets**

	Governmental Activities		Change
	2010	2009	
REVENUES:			
Program Revenues:			
Charges for Services	\$ 328,468	\$ 256,669	\$ 71,799
Operating Grants and Contributions	998,615	412,294	586,321
Capital Grants and Contributions	-	12,474	(12,474)
General Revenues:			
Unrestricted Federal and State Aid	1,623,216	1,245,261	377,955
Other	188,204	71,374	116,830
Total Revenues	\$ 3,138,503	\$ 1,998,072	\$ 1,140,431
EXPENDITURES:			
Administration	\$ 245,007	\$ 151,837	\$ 93,170
District Support Services	204,148	165,540	38,608
Regular Instruction	1,195,591	733,046	462,545
Special Education Instruction	197,145	132,400	64,745
Instructional Support Services	212,057	132,560	79,497
Pupil Support Services	44,710	35,181	9,529
Sites and Buildings	613,659	310,295	303,364
Fiscal and Other Fixed Cost Programs	9,250	5,901	3,349
Food Service	107,875	79,753	28,122
Community Service	232,444	188,191	44,253
Total Expenditures	\$ 3,061,886	\$ 1,934,704	\$ 1,127,182
Change in Net Assets	\$ 76,617	\$ 63,368	\$ 13,249
Beginning - Net Assets	463,078	399,710	63,368
Ending - Net Assets	\$ 539,695	\$ 463,078	\$ 76,617

The total cost of all programs and services was \$ 3,061,886. Total revenues exceeded expenses by \$ 76,617.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Figure A-3 Sources of Academy's Revenues for Fiscal 2010

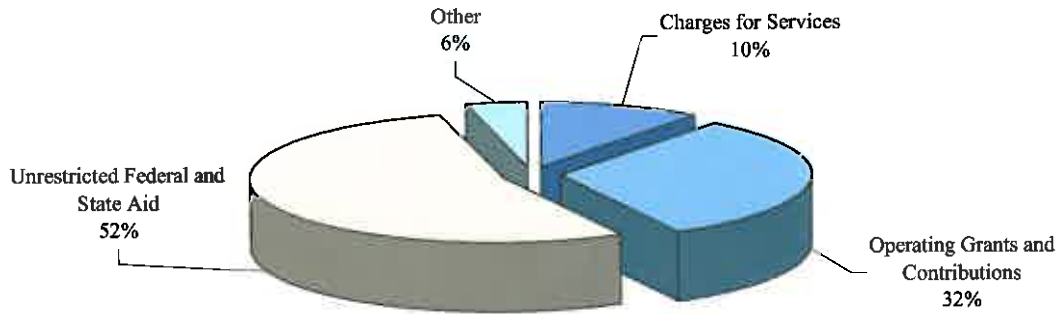
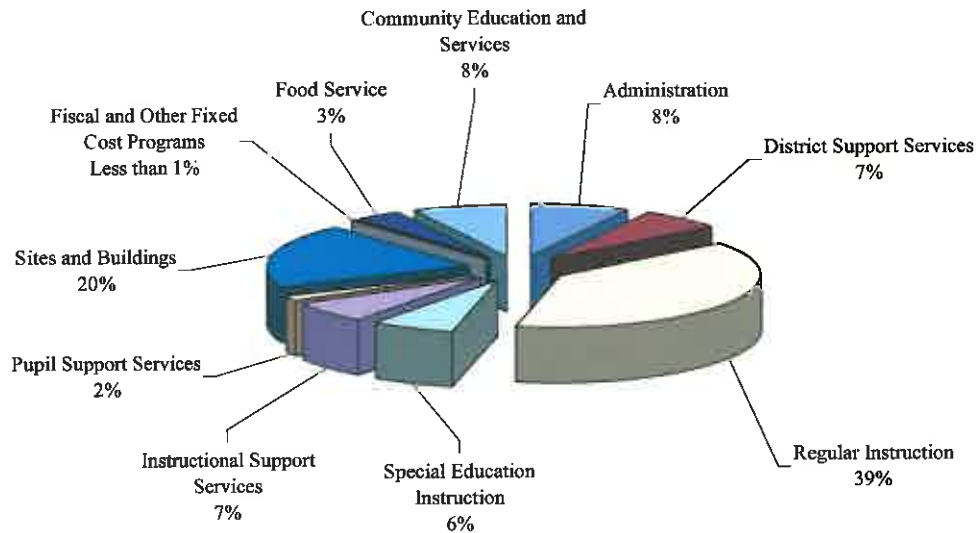


Figure A-4 Academy Expenses for Fiscal 2010



**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Total Costs of Services			Net Costs of Services		
	2010	2009	Change	2010	2009	Change
Administration	\$ 245,007	\$ 151,837	\$ 93,170	\$ 245,007	\$ 151,837	\$ 93,170
District Support Services	204,148	165,540	38,608	204,148	165,540	38,608
Regular Instruction	1,195,591	733,046	462,545	762,794	643,542	119,252
Special Education Instruction	197,145	132,400	64,745	6,108	728	5,380
Instructional Support Services	212,057	132,560	79,497	212,057	132,560	79,497
Pupil Support Services	44,710	35,181	9,529	44,710	35,181	9,529
Sites and Buildings	613,659	310,295	303,364	260,487	116,760	143,727
Fiscal and Other Fixed Cost Programs	9,250	5,901	3,349	9,250	5,901	3,349
Food Service	107,875	79,753	28,122	3,869	2,535	1,334
Community Education and Services	232,444	188,191	44,253	(13,627)	(1,317)	(12,310)
Total	\$ 3,061,886	\$ 1,934,704	\$ 1,127,182	\$ 1,734,803	\$ 1,253,267	\$ 481,536

In 2009-2010 the Academy enrolled 3 students in handicap kindergarten, 71 students in kindergarten, 168 students in grades 1-3 and 57 students in grades 4-6.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected in its governmental funds as well. As the Academy completed the year, its governmental funds reported a combined fund balance of \$ 410,167.

GENERAL FUND

The General Fund includes the primary operations of the Academy in providing educational services to students from kindergarten through grade 6 including pupil transportation activities and capital outlay projects.

The schedule on the following page presents a summary of General Fund revenues.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

GENERAL FUND

**Table A-5
General Fund Revenues**

	Year Ended June 30,		Change
	2010	2009	
LOCAL SOURCES:			
Other Local Revenues	\$ 159,182	\$ 109,218	\$ 49,964
State Sources	2,115,602	1,591,558	524,044
Federal Sources	513,642	30,570	483,072
Total General Fund Revenue	\$ 2,788,426	\$ 1,731,346	\$ 1,057,080

Other revenue consists of private grant funding which is expenditure driven.

The following schedule presents a summary of General Fund expenditures. Of the total expenditures, about 61% were personnel salaries and benefits. Another 30% of total expenditures were purchased services to continue developing the educational program, provide facility and administrative services and direct services to students. Table A-6 below presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended June 30,		Change
	2010	2009	
Salaries	\$ 1,404,275	\$ 851,661	\$ 552,614
Employee Benefits	307,491	182,645	124,846
Purchased Services	831,075	534,755	296,320
Supplies and Materials	124,895	73,843	51,052
Capital Expenditures	110,534	22,799	87,735
Other Expenditures	11,561	12,375	(814)
Transfers Out	3,869	2,535	1,334
Total Expenditures	\$ 2,793,700	\$ 1,680,613	\$ 1,113,087

In 2009-2010 General Fund expenditures and other financing uses exceeded revenues by \$ 5,274 decreasing the fund balance to \$ 303,426.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget, the Academy can revise the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements and increases in appropriations for significant unbudgeted costs.

Capital Assets

By the end of 2010, the Academy had invested \$ 175,017 in capital assets, including computers, equipment and furniture (See Table A-7). More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$ 45,489.

**Table A-7
Capital Assets**

	<u>2010</u>	<u>2009</u>
Equipment	\$ 175,017	\$ 81,800
Less Accumulated Depreciation	<u>(45,489)</u>	<u>(20,536)</u>
Total	<u>\$ 129,528</u>	<u>\$ 61,264</u>

OTHER MAJOR FUNDS

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining fund balance, the Food Service and Community Service Funds are operating on a sound financial basis.

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The Academy will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Yinghua Academy Charter School, 1616 Buchanan Avenue NE, Minneapolis, Minnesota 55413.

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BASIC FINANCIAL STATEMENTS

YINGHUA ACADEMY
Minneapolis, Minnesota

STATEMENT OF NET ASSETS

	Governmental Activities	
	June 30,	
	2010	2009
ASSETS:		
Cash	\$ 13,530	\$ 250,626
Accounts Receivable	-	385
Due from Department of Education	562,509	166,344
Due from Federal Government through Department of Education	104,482	12,143
Prepaid Items	82,546	85,350
Capital Assets:		
Furniture and Equipment	175,017	81,800
Less Accumulated Depreciation	<u>(45,489)</u>	<u>(20,536)</u>
Total Assets	<u>\$ 892,595</u>	<u>\$ 576,112</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts Payable	\$ 91,195	\$ 26,592
Salaries and Benefits Payable	132,165	75,893
Unearned Revenue	14,540	10,549
Line of Credit Payable	115,000	-
Total Liabilities	<u>352,900</u>	<u>113,034</u>
 Net Assets:		
Invested in Capital Assets	129,528	61,264
Restricted for:		
Other Purposes	106,741	93,114
Unrestricted	<u>303,426</u>	<u>308,700</u>
Total Net Assets	<u>539,695</u>	<u>463,078</u>
Total Liabilities and Net Assets	<u>\$ 892,595</u>	<u>\$ 576,112</u>

YINGHUA ACADEMY
Minneapolis, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS

	<u>General</u>	<u>Community Service</u>	<u>Food Service</u>	<u>Total Governmental Funds</u>	
				<u>June 30,</u>	
				<u>2010</u>	<u>2009</u>
ASSETS:					
Cash	\$ -	\$ 13,530	\$ -	\$ 13,530	\$ 250,626
Accounts Receivable	-	-	-	-	385
Due from Department of Education	562,509	-	-	562,509	166,344
Due from Federal Government through Department of Education	99,407	-	5,075	104,482	12,143
Due from Other Funds	-	119,402	-	119,402	4,592
Prepaid Items	81,998	548	-	82,546	85,350
Total Assets	<u>\$ 743,914</u>	<u>\$ 133,480</u>	<u>\$ 5,075</u>	<u>\$ 882,469</u>	<u>\$ 519,440</u>
LIABILITIES AND FUND					
BALANCES:					
Liabilities:					
Accounts Payable	\$ 77,183	\$ 10,857	\$ 3,155	\$ 91,195	\$ 26,592
Salaries and Benefits Payable	126,261	5,824	80	132,165	75,893
Due to Other Funds	117,562	-	1,840	119,402	4,592
Deferred Revenue	4,482	10,058	-	14,540	10,549
Line of Credit Payable	115,000	-	-	115,000	-
Total Liabilities	<u>440,488</u>	<u>26,739</u>	<u>5,075</u>	<u>472,302</u>	<u>117,626</u>
Fund Balances:					
Unreserved:					
Major General Funds	303,426	-	-	303,426	308,700
Major Special Revenue Funds	-	106,741	-	106,741	93,114
Total Fund Balances	<u>303,426</u>	<u>106,741</u>	<u>-</u>	<u>410,167</u>	<u>401,814</u>
Total Liabilities and Fund Balances	<u>\$ 743,914</u>	<u>\$ 133,480</u>	<u>\$ 5,075</u>	<u>\$ 882,469</u>	<u>\$ 519,440</u>

YINGHUA ACADEMY
Minneapolis, Minnesota

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

	June 30,	
	<u>2010</u>	<u>2009</u>
Total Fund Balances - Governmental Funds	\$ 410,167	\$ 401,814
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	175,017	81,800
Less Accumulated Depreciation	<u>(45,489)</u>	<u>(20,536)</u>
Total Net Assets - Governmental Activities	<u>\$ 539,695</u>	<u>\$ 463,078</u>

YINGHUA ACADEMY
Minneapolis, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

	General	Community Service	Food Service	Total Governmental Funds	
				For the Year Ended June 30,	
				2010	2009
REVENUES:					
Other Local Revenues	\$ 159,182	\$ 246,071	\$ -	\$ 405,253	\$ 298,726
Revenue from State Sources	2,115,602	-	3,556	2,119,158	1,594,098
Revenue from Federal Sources	513,642	-	24,825	538,467	44,082
Sales and Other Conversion of Assets	-	-	75,625	75,625	61,166
Total Revenues	2,788,426	246,071	104,006	3,138,503	1,998,072
EXPENDITURES:					
Current:					
Administration	244,566	-	-	244,566	151,396
District Support Services	203,787	-	-	203,787	164,998
Regular Instruction	1,167,869	-	-	1,167,869	728,836
Special Education Instruction	196,192	-	-	196,192	132,400
Instructional Support Services	212,057	-	-	212,057	132,560
Pupil Support Services	44,710	-	-	44,710	35,181
Sites and Buildings	600,866	-	-	600,866	304,007
Fiscal and Other Fixed Cost Programs	9,250	-	-	9,250	5,901
Food Service	-	-	107,875	107,875	79,753
Community Education and Services	-	232,444	-	232,444	188,191
Capital Outlay:					
District Support Services	219	-	-	219	400
Regular Instruction	73,040	-	-	73,040	1,006
Special Education Instruction	3,350	-	-	3,350	-
Sites and Buildings	33,925	-	-	33,925	21,393
Total Expenditures	2,789,831	232,444	107,875	3,130,150	1,946,022
Excess of Revenues Over (Under) Expenditures	(1,405)	13,627	(3,869)	8,353	52,050
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	3,869	3,869	2,535
Transfers Out	(3,869)	-	-	(3,869)	(2,535)
Total Other Financing Sources (Uses)	(3,869)	-	3,869	-	-
Net Change in Fund Balances	(5,274)	13,627	-	8,353	52,050
FUND BALANCES:					
Beginning of Year	308,700	93,114	-	401,814	349,764
End of Year	\$ 303,426	\$ 106,741	\$ -	\$ 410,167	\$ 401,814

The Notes to the Financial Statements are an integral part of this statement.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

	For the Year Ended June 30,	
	2010	2009
Net Change in Fund Balances - Total Governmental Funds	\$ 8,353	\$ 52,050
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital Outlay	93,217	21,707
Depreciation Expense	(24,953)	(10,389)
Change in Net Assets - Governmental Activities	\$ 76,617	\$ 63,368

YINGHUA ACADEMY
Minneapolis, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
REVENUES:				
Other Local Revenues	\$ 161,300	\$ 140,500	\$ 159,182	\$ 18,682
Revenue from State Sources	2,254,562	2,209,007	2,115,602	(93,405)
Revenue from Federal Sources	37,060	516,156	513,642	(2,514)
Total Revenues	2,452,922	2,865,663	2,788,426	(77,237)
EXPENDITURES:				
Current:				
Administration	151,603	182,873	244,566	61,693
District Support Services	141,900	173,507	203,787	30,280
Regular Instruction	1,161,772	1,277,260	1,167,869	(109,391)
Special Education Instruction	211,542	211,704	196,192	(15,512)
Instructional Support Services	102,784	234,915	212,057	(22,858)
Pupil Support Services	49,428	57,028	44,710	(12,318)
Sites and Buildings	639,230	634,708	600,866	(33,842)
Fiscal and Other Fixed Cost Programs	8,000	7,500	9,250	1,750
Capital Outlay:				
District Support Services	-	-	219	219
Regular Instruction	5,000	85,000	73,040	(11,960)
Special Education Instruction	-	22,500	3,350	(19,150)
Sites and Buildings	44,300	35,000	33,925	(1,075)
Total Expenditures	2,515,559	2,921,995	2,789,831	(132,164)
Excess of Revenues				
Under Expenditures	(62,637)	(56,332)	(1,405)	54,927
OTHER FINANCING USES:				
Transfers Out	-	-	(3,869)	(3,869)
Net Change in Fund Balances	\$ (62,637)	\$ (56,332)	(5,274)	\$ 51,058
FUND BALANCES:				
Beginning of Year			308,700	
End of Year			\$ 303,426	

The Notes to the Financial Statements are an integral part of this statement.

YINGHUA ACADEMY
Minneapolis, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FOOD SERVICE FUND**
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES:				
Revenue from State Sources	\$ 5,000	\$ 5,000	\$ 3,556	\$ (1,444)
Revenue from Federal Sources	30,000	36,000	24,825	(11,175)
Sales and Other Conversion of Assets	108,000	101,000	75,625	(25,375)
Total Revenues	143,000	142,000	104,006	(37,994)
EXPENDITURES:				
Current:				
Food Service	148,700	147,700	107,875	(39,825)
Excess of Revenues Under Expenditures	(5,700)	(5,700)	(3,869)	1,831
OTHER FINANCING SOURCES:				
Transfers In	-	-	3,869	3,869
Net Change in Fund Balances	\$ (5,700)	\$ (5,700)	-	\$ 5,700
FUND BALANCES:				
Beginning of Year			-	
End of Year			\$ -	

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES:				
Other Local Revenues	\$ 225,300	\$ 225,300	\$ 246,071	\$ 20,771
EXPENDITURES:				
Current:				
Community Education and Services	154,800	146,800	232,444	85,644
Excess of Revenues Over Expenditures	\$ 70,500	\$ 78,500	13,627	\$ (64,873)
FUND BALANCES:				
Beginning of Year			93,114	
End of Year			\$ 106,741	

YINGHUA ACADEMY
Minneapolis, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy is a nonprofit corporation that was formed and began operating in June 2004, as Harriet Bishop Academy, in accordance with *Minnesota Statutes* 317A. The Academy subsequently changed its name to Yinghua Academy. The Academy is sponsored by Friends of Education. The Academy is a public school which served grades K-6 in the 2009-2010 school year. The mission of the Academy is to provide a challenging and comprehensive learning environment that will nurture the students' natural inquisitiveness and will prepare them to be engaged and productive global citizens. The governing body consists of a Board of Directors composed of a Chairperson, Treasurer, Secretary and such other members.

A. Reporting Entity

The financial statements present the Academy and its component units. The Academy includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the Academy are financially accountable and are included within the financial statements of the Academy because of the significance of their operational or financial relationships with the Academy.

The Academy is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the Academy.

As a result of applying the component unit definition criteria above, it has been determined the Academy has no component units.

Aside from its sponsorship, Friends of Education has no authority, control, power or administrative responsibilities over the Academy. Therefore, the Academy is not considered a component unit of Friends of Education.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These Statements include all the financial activities of the Academy.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statement Information (Continued)

The Academy applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and U.S. generally accepted accounting principles. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaids for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

Description of Funds:

As required by state statute, the Academy operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the Academy comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Descriptions of the funds included in this report are as follows on the next page.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Major Funds:

General Fund – This Fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This Fund is used to account for before and after school program revenues and expenditures.

D. Deposits and Investments

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it.

The Academy did not have formal policies in place as of June 30, 2010 to address custodial credit risk for deposits. The Academy also does not have a policy in place to address credit risk, concentration of credit risk, custodial credit risk or interest rate risk for investments.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as an expenditure at the time of consumption.

F. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the Academy as assets with an initial individual cost of more than \$ 500. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the half-year straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Academy, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 5 to 20 years for furniture and equipment.

G. Compensated Absences

Certain Academy employees earn paid leave time (PLT). The Academy does not compensate employees for PLT upon termination of employment. PLT is recorded as an expenditure when it is used.

H. 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; natural disasters; and injuries to employees for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions or other significant changes in the Academy's insurance coverage during the fiscal year ending June 30, 2010.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

L. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the Academy's financial position and operations.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Academy submits to the Academy's Board of Directors, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
3. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles.
4. Budgets are as originally adopted or as amended by the Academy's Board of Directors. Budgeted expenditure appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

Budgetary controls for governmental funds are established by each fund's total appropriations. Expenditures exceeded appropriations in the following Fund for the year ended June 30, 2010.

	<u>Appropriations</u>	<u>Expenditures</u>
Special Revenue Fund:		
Community Service	\$ 146,800	\$ 232,444

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the Academy maintains deposits at depository banks authorized by the Academy's Board of Directors.

Custodial Credit Risk – Deposits: As of June 30, 2010, the Academy's bank balance of \$ 53,800 was not exposed to custodial credit risk because it was covered by FDIC with additional collateral held if needed.

A summary of deposits as of June 30, 2010 follows:

Deposits	<u>\$ 13,530</u>
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A summary of deposits presented in the Statement of Net Assets at June 30, 2010 is as follows:

Cash	<u>\$ 13,530</u>
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NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets being				
Depreciated:				
Furniture and Equipment	<u>\$ 81,800</u>	<u>\$ 93,217</u>	<u>\$ -</u>	<u>\$ 175,017</u>
Less Accumulated				
Depreciation for:				
Furniture and Equipment	<u>20,536</u>	<u>24,953</u>	<u>-</u>	<u>45,489</u>
Total Capital Assets being				
Depreciated, Net	<u>\$ 61,264</u>	<u>\$ 68,264</u>	<u>\$ -</u>	<u>\$ 129,528</u>

YINGHUA ACADEMY
Minneapolis, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – CAPITAL ASSETS

Depreciation expense of \$ 24,953 for the year ended June 30, 2010 was charged to the following governmental functions:

Administration	\$ 441
District Support Services	142
Regular Instruction	16,409
Special Education	599
Sites, Buildings and Equipment	<u>7,362</u>
Total Depreciation Expense	<u>\$ 24,953</u>

NOTE 5 – TRANSFERS/INTERFUND ACTIVITY

The Academy's Food Service Fund incurred an operating deficit of \$ 3,869 that was eliminated through a transfer from the General Fund at June 30, 2010. Under state accounting guidelines, the Academy is required to eliminate such a deficit either through operations of the next fiscal year or through a permanent transfer from the General Fund at the end of the second fiscal year.

An interfund loan of \$ 117,562 was made from the Community Service Fund to the General Fund and an interfund loan of \$ 1,840 was made from the Community Service Fund to the Food Service Fund to cover a temporary deficit cash balances. It is anticipated this amount will be repaid in the next fiscal year as funds become available.

NOTE 6 – SHORT-TERM DEBT

On November 20, 2008, the Academy renewed a line of credit (LOC) of \$ 75,000 that expired on October 15, 2009. On October 29, 2009, the Academy obtained an LOC of \$ 125,000. The agreement expires on October 15, 2010. The agreement requires interest on all borrowings based on a prime rate plus 1% and was secured by assets of the Academy. On April 9, 2010, the Academy drew \$ 50,000 on its LOC; an additional \$ 65,000 was advanced on June 14, 2010. At June 30, 2010, the Academy owed \$ 115,000 on its line of credit.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the Academy are required by state law to belong to pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these Plans follow.

**YINGHUA ACADEMY
Minneapolis, Minnesota a**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers’ Retirement Association

A. Plan Description

All teachers employed by the Academy are covered by defined benefit plans administered by the TRA. TRA members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These Plans are established and administered in accordance with *Minnesota Statutes* Chapter 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by *Minnesota Statutes* and vest after three years of service credit. The defined retirement benefits are based on a member’s highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA’s Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II as described below and on the following pages.

Tier I:

Tier I	Step Rate Formula	Percentage
Basic	First 10 years	2.2% per year
	All years after	2.7% per year
Coordinated	First 10 years if service years are prior to July 1, 2006	1.2% per year
	First 10 years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are prior to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

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**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

Tier I (Continued):

With these provisions:

- Normal retirement at age 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- Three percent per year early retirement reduction factors for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II:

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated Plan members and 2.7% per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated Plan members and 2.7% per year for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0% to 5.5% per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active Plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance and further information on benefits provisions. The report may be accessed at the TRA web site www.tra.state.mn.us. Alternatively, a copy of the report maybe obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, #400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-6449 or (800) 657-3853.

B. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These Statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 5.5% and 9.0%, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5% for Coordinated Plan members and 9.5% for Basic Plan members. Total covered payroll salaries for all TRA members state-wide during fiscal year ended June 30, 2009 was approximately \$ 3.76 billion. TRA covered payroll for all members state-wide for the fiscal years ended June 30, 2008 and 2007 were \$ 3.65 billion and \$ 3.53 billion, respectively.

The Academy's contributions for the years ended June 30, 2010, 2009 and 2008 were \$ 50,857, \$ 33,753 and \$ 18,521, respectively, equal to the required contributions for each year as set by state statute.

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees (nonteacher) of the Academy are covered by defined benefit plans administered by PERA. PERA administers the Public Employees' Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This Plan is established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

PERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of the average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For all members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the Fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

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**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The Academy makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The Academy is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members. The Academy's contributions for the years ended June 30, 2010, 2009 and 2008 were \$ 38,521, \$ 21,619 and \$ 11,867, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 8 – COMMITMENTS

A. Lease Commitments and Terms

On June 5, 2009, the Academy (Lessee) signed a lease for educational space with the Charter School Development Corporation (CSDC [Lessor]), in Minneapolis, Minnesota, commencing June 15, 2009. The term of the lease agreement covers periods through June 30, 2014. The annual rent for the lease will be equivalent to the product of the projected average daily membership (ADM) multiplied by a rental amount that results in the Lessee's receipt of the maximum amount of lease aid available pursuant to applicable Minnesota law, or the amount necessary for the Lessor's debt service coverage ratio to remain at 1.25:1.00 for the total projected costs. During fiscal year 2010, the Academy paid \$ 402,124 to CSDC.

For fiscal year 2010, the Academy qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease cost or \$ 1,200 per pupil units served, or \$ 353,172.

The Academy's ability to make payments under the lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollment being served at the Academy and sufficient state aids per student being authorized and received from the State of Minnesota. The Academy believes its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

This lease agreement also provides the Academy the right to purchase the Lessor's interest in the property at a future date.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 9 – CONTINGENT LIABILITY

In April 2006, the Academy (Lessee) signed a lease for educational space with Hamline Office Park, LLP (HOP [Lessor]), in St. Paul, Minnesota, commencing July 1, 2006. The term of the lease agreement covered periods through June 30, 2011. On March 1, 2009, the Academy signed an agreement which terminated its building lease with HOP and granted College Prep Elementary (CPE) an agreement where they will sublease the Academy's lease with HOP. Because the base rent to be paid by CPE in the first lease year is less than the rent that would have been paid by the Academy, the Academy agrees to pay HOP (a) the difference between lease aid received by CPE from the State of Minnesota plus 10% and a sum of \$ 36,264 per year, payable in the amount of \$ 3,022 a month (or less), and (b) in any month in which CPE pays base rent less than \$ 12,263, the Academy agrees to pay HOP the balance between the amount paid and \$ 12,263. Provided, however, that upon making any such payment, CPE will be obligated to make a payment to the Academy in the same amount plus interest at 10% per annum, and, in addition, the Academy will have the right to recover possession of the premises.

For the second and third year of the sublease, other conditions are included similar to the first year detailed above.

NOTE 10 – SUBSEQUENT EVENT

On July 7, 2010, the Academy obtained a loan from Drake Bank in the amount of \$ 125,150. The loan was paid in full on September 7, 2010. The agreement required interest on the loan at the rate of 6.95% and was secured by assets of the Academy.

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SUPPLEMENTARY INFORMATION

YINGHUA ACADEMY
Minneapolis, Minnesota

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2010

	<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>		<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>
<u>01 GENERAL FUND</u>					<u>07 DEBT SERVICE FUND</u>		
Total Revenue	\$ 2,788,426	\$ 2,788,425	\$ 1	Total Revenue	\$	\$	\$
Total Expenditures	2,789,831	2,789,831		Total Expenditures			
<i>Reserved:</i>				<i>Reserved:</i>			
403 Staff Development				425 Bond Refundings			
405 Deferred Maintenance				451 QZAB Payments			
406 Health and Safety				<i>Unreserved:</i>			
407 Capital Projects Levy				422 Unreserved/Undesignated			
408 Cooperative Revenue							
413 Project Funded by COP				<u>08 TRUST FUND</u>			
414 Operating Debt				Total Revenue	\$	\$	\$
416 Levy Reduction				Total Expenditures			
419 Encumbrances				<i>Reserved:</i>			
423 Certain Teacher Programs				419 Encumbrances			
424 Operating Capital				<i>Unreserved:</i>			
426 \$ 25 Taconite				422 Unreserved/Undesignated			
427 Disabled Accessibility							
428 Learning and Development				<u>09 AGENCY FUND</u>			
434 Area Learning Center				<i>Unreserved:</i>			
435 Contracted Alternative Programs				422 Unreserved/Undesignated	\$	\$	\$
436 State Approved Alternative Program							
438 Gifted and Talented				<u>20 INTERNAL SERVICE FUND</u>			
441 Basic Skills Programs				Total Revenue	\$	\$	\$
445 Career Technical Programs				Total Expenditures			
446 First Grade Preparedness				<i>Reserved:</i>			
449 Safe School Crime	-			419 Encumbrances			
450 Prekindergarten				<i>Unreserved:</i>			
451 QZAB Payments				422 Unreserved/Undesignated			
452 OPEB Liabilities not in Trust							
453 Unfunded Severance and Retirement Levy				<u>25 OPEB REVOCABLE TRUST</u>			
<i>Unreserved:</i>				Total Revenue	\$	\$	\$
418 Severance-Insurance Premium	-			Total Expenditures			
422 Unreserved/Undesignated	303,426	303,425	1	<i>Reserved:</i>			
				419 Encumbrances			
				<i>Unreserved:</i>			
				422 Unreserved/Undesignated			
<u>02 FOOD SERVICES FUND</u>					<u>45 OPEB IRREVOCABLE TRUST</u>		
Total Revenue	\$ 104,006	\$ 104,007	\$ (1)	Total Revenue	\$	\$	\$
Total Expenditures	107,875	107,877	(2)	Total Expenditures			
<i>Reserved:</i>				<i>Reserved:</i>			
419 Encumbrances				419 Encumbrances			
452 OPEB Liabilities not in Trust				<i>Unreserved:</i>			
<i>Unreserved:</i>				422 Unreserved/Undesignated			
418 Severance-Insurance Premium							
422 Unreserved/Undesignated				<u>47 OPEB DEBT SERVICE</u>			
				Total Revenue	\$	\$	\$
				Total Expenditures			
				<i>Reserved:</i>			
				425 Bond Refundings			
				<i>Unreserved:</i>			
				422 Unreserved/Undesignated			
<u>04 COMMUNITY SERVICE FUND</u>					<u>Unaudited Data Reporting Elements</u>		
Total Revenue	\$ 246,071	\$ 246,071	\$	<u>FY10 OPERATING CAPITAL TRANSFER</u>			
Total Expenditures	232,444	232,445	(1)	Per Pupil Amount	\$		
<i>Reserved:</i>				AMCPU			
419 Encumbrances				Total Transfer			
426 \$ 25 Taconite	-						
431 Community Education							
432 ECFE							
444 School Readiness							
447 Adult Basic Education							
452 OPEB Liabilities not in Trust							
<i>Unreserved:</i>							
418 Severance-Insurance Premium	-						
422 Unreserved/Undesignated	106,741	106,740	1				
<u>06 BUILDING CONSTRUCTION FUND</u>							
Total Revenue	\$	\$	\$				
Total Expenditures							
<i>Reserved:</i>							
407 Capital Projects Levy							
409 Alternative Facility Program							
413 Project Funded by COP							
419 Encumbrances							
<i>Unreserved:</i>							
422 Unreserved/Undesignated							

YINGHUA ACADEMY
St. Paul, Minnesota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Funding Source</u>	<u>Federal CFDA Number</u>	<u>Grant Name</u>	<u>Expenditures</u>
<i>Through Minnesota Department of Education:</i>			
USDOA	10.555	Commodities Programs (Cluster)	\$ 5,075
USDOA	10.555	Type A Lunch (Cluster)	<u>19,750</u>
		Total Child Nutrition Cluster	<u>24,825</u>
USDOED	84.027	Special Education (Cluster)	36,239
USDOED	84.391	ARRA Special Education (Cluster)	15,950
USDOED	84.173	Disabled Early Education (Cluster)	1,239
USDOED	84.392	ARRA Disabled Early Education (Cluster)	<u>2,246</u>
		Total Special Education Cluster	<u>55,674</u>
USDOED	84.394	Title VIII - Stabilization Aid	70,112
<i>Received Directly:</i>			
USDOD	12.901	Mathematical Sciences Grants Program	131,781
USDOED	84.293b	Foreign Language Assistance Program	<u>256,075</u>
Total Federal Expenditures			<u><u>\$ 538,467</u></u>

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.



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**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**

September 28, 2010

To the Board of Directors
Yinghua Academy
Minneapolis, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Yinghua Academy, Minneapolis, Minnesota, as of and for the year ending June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the 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 the internal control 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 Academy'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*.

We noted certain matters that we reported to management of the Academy in a separate letter dated September 28, 2010.

This report is intended solely for the information and use of the Board of Directors, administration and state and 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.

A handwritten signature in cursive script that reads "Kern, Dewenter, Viere, Ltd.".

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133***

September 28, 2010

To the Board of Directors
Yinghua Academy
Minneapolis, Minnesota

COMPLIANCE

We have audited the compliance of Yinghua Academy, Minneapolis, Minnesota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Academy's management. 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 U.S. generally accepted auditing standards; 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 Nonprofit 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 the Academy'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 the Academy's compliance with those requirements.

In our opinion, Yinghua Academy, Minneapolis, Minnesota, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.



INTERNAL CONTROL OVER COMPLIANCE

The management of the Academy 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 the requirements that could have a direct and material effect on a major federal program in order to determine our 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 the Academy'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 would not necessarily identify all deficiencies in internal control 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 the Board of Directors, administration and state and 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.

A handwritten signature in cursive script that reads "Kern Dewenter, Vice Pres.".

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2010**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

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

Identification of Major Programs

CFDA No.: 84.293B
Name of Federal Program or Cluster: Foreign Language Assistance Program

CFDA No.: 84.394
Name of Federal Program or Cluster: Title VIII – Stabilization Aid

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

Auditee qualified as low risk auditee? No

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

There were no findings or questioned costs.

**YINGHUA ACADEMY
Minneapolis, Minnesota**

**SCHEDULE OF FINDING AND ACTION TAKEN
ON INTERNAL CONTROL FINDING
June 30, 2010**

PRIOR YEAR INTERNAL CONTROL FINDING:

Ensure Timely Deposit of Collections

During our 2009 audit, it was noted collections of fees or tuition received on-site by the Academy were not deposited in the Academy's bank account on a timely basis. Such collections included food service meal costs, Yinghua Care tuition and donations. Generally, it appeared the deposits were being completed on a monthly basis.

CORRECTIVE ACTION TAKEN:

The Academy ensured all collections were timely deposited into its bank account.

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REPORT ON LEGAL COMPLIANCE

September 28, 2010

To the Board of Directors
Yinghua Academy
Minneapolis, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Yinghua Academy, Minneapolis, Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 28, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Academy complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Directors, administration and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota