

AUDITED FINANCIAL STATEMENTS

For

Year Ended June 30, 2013



Horizon Science Academy Youngstown

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Dave Yost • Auditor of State

Board of Trustees
Horizon Science Academy Youngstown
3403 Southern Blvd.
Youngstown, Ohio 44507

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Youngstown, Mahoning County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 8, 2014

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Horizon Science Academy Youngstown
Mahoning County, Ohio
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For the Fiscal Year Ended June 30, 2013

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December 9, 2013

To the Board of Trustees
Horizon Science Academy Youngstown
3403 Southern Blvd.
Youngstown, Ohio 44507

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Horizon Science Academy Youngstown, Mahoning County, Ohio (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizon Science Academy Youngstown, Mahoning County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 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 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

Horizon Science Academy Youngstown
Mahoning County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of the Horizon Science Academy Youngstown's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2013. Readers should also review the financial statements and notes to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- Total assets were \$1,715,914.
- Total liabilities were \$952,353.
- Total net position increased \$207,560.

Using this Financial Report

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and change in net assets, and a statement of cash flows.

Reporting the School as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and change in net position, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of revenues, expenses and change in net position – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The statement of net position and the statement of revenues, expenses and change in net position report the activities of the Academy, which encompass all the Academy's services, including instruction, supporting services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 1 provides a comparison of net position as of June 30, 2013 with net position as of June 30, 2012.

Table 1

Net Position		
	2013	2012
<u>Assets</u>		
Current and Other Assets	\$ 256,092	\$ 343,135
Capital Assets	1,459,822	457,733
Total Assets	1,715,914	800,868
<u>Liabilities</u>		
Current Liabilities	314,742	244,867
Non-Current Liabilities	637,611	0
Total Liabilities	952,353	244,867
<u>Net Position</u>		
Invested in Capital Assets	712,576	457,733
Unrestricted	50,985	98,268
Total Net Position	\$ 763,561	\$ 556,001

Total net position increased by \$207,560. This increase is due mainly to an increase in student enrollment. Capital assets increased by \$1,002,089 due to the purchase of the school building. Intergovernmental receivables decreased by \$110,517 due mainly to the Education Jobs funding ending in fiscal year 2012. Total liabilities increased \$707,486. This increase is due mainly to the loans received for the school building purchase.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 2 shows the changes in net position for the fiscal years 2013 and 2012.

Table 2
Horizon Science Academy Youngstown
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	June 30,2013	June 30,2012*
OPERATING REVENUES:		
Foundation payments	\$2,880,448	\$2,336,400
Food services	2,266	0
Classroom fees	13,499	9,910
Extracurricular activities	10,836	7,680
Other revenue	36,993	34,867
Total operating revenues	<u>2,944,042</u>	<u>2,388,857</u>
OPERATING EXPENSES:		
Salaries	1,499,716	1,217,825
Fringe benefits	416,721	355,585
Purchased services	1,081,818	987,503
Materials and supplies	230,379	247,302
Depreciation	112,892	58,438
Miscellaneous	151,587	94,468
Total operating expenses	<u>3,493,113</u>	<u>2,961,121</u>
Operating loss	<u>(549,071)</u>	<u>(572,264)</u>
NON-OPERATING REVENUES (EXPENSES):		
Restricted grants in aid - federal	747,408	973,027
Restricted grants in aid - state	4,626	2,041
Other Grants	8,165	0
Interest expense	(4,793)	0
Donated management fee	1,225	5,675
Total non-operating revenues (expenses)	<u>756,631</u>	<u>980,742</u>
Change in net position	207,560	408,478
Net position, beginning of year	<u>556,001</u>	<u>147,523</u>
Net position, end of year	<u><u>\$763,561</u></u>	<u><u>\$556,001</u></u>

See accompanying notes to the basic financial statements.

*Certain reclassifications were made for consistency in reporting between years.

Foundation support increased \$544,048 primarily as a result of an increase in student enrollment. The Academy also received in-kind support (donated management fee) in the amount of \$1,225 in 2013. Salaries and purchased services increased \$281,891 and \$94,315, respectively, resulting from increased student enrollment.

Foundation support is the primary support of the Academy, comprising 98% of operating revenue and 78% of total revenues. The Academy also received a significant portion of federal grants, which represent 20% of total revenue. Salaries and benefits comprise the largest portion of operating expenses, representing 43% of total operating expenses. Purchased services also represent a large portion of operating expenses, or 31%. Net position increased \$207,560 resulting from revenues in excess of expenses.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Capital Assets

At the end of fiscal year 2013 the Academy had \$1,459,822 invested in capital assets (net of accumulated depreciation). Table 3 shows fiscal year 2013 and fiscal year 2012:

Table 3
Capital Assets

	Balance			Ending
	July 1, 2012	Additions	Deletions	June 30, 2013
Building	\$0	\$980,000	\$0	\$980,000
Furniture and Equipment	548,358	134,981	(32,377)	650,962
Total Capital Assets	548,358	1,114,981	(32,377)	1,630,962
Less: Accumulated Depreciation	(90,625)	(112,892)	32,377	(171,140)
Net Capital Assets	\$457,733	\$1,002,089	\$0	\$1,459,822

For more information on capital assets see Note 4 to the basic financial statements.

Debt

At the end of fiscal year 2013 the Academy had \$747,246 in debt outstanding. Table 4 shows fiscal year 2013 and fiscal year 2012:

Table 4
Outstanding Debt at Year End

	2013	2012
NOG-Ohio	\$ 165,000	\$0
PNC Bank Mortgage	582,246	0
Total	\$ 747,246	\$0

For more information on outstanding debt see Note 11 to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ramazan Celep, Treasurer, Horizon Science Academy Youngstown, 3403 Southern Blvd. Youngstown, OH 44507.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Statement of Net Position
June 30, 2013

<u>ASSETS:</u>	
<i>Current Assets:</i>	
Cash and cash equivalents	\$255,359
Intergovernmental receivable	733
Total current assets	256,092
<i>Noncurrent Assets:</i>	
Nondepreciable capital assets	42,525
Depreciable capital assets (Net)	1,417,297
Total noncurrent assets	1,459,822
Total Assets	1,715,914
<u>LIABILITIES:</u>	
<i>Current Liabilities:</i>	
Accounts payable	24,774
Accrued wages and benefits payable	144,341
Payroll liabilities	35,992
PNC Bank-Mortgage Due within one year	109,635
Total current liabilities	314,742
<i>Long Term Liabilities:</i>	
NOG-Ohio LLC Building Purchase	165,000
PNC Bank-Mortgage	472,611
Total long term liabilities	637,611
Total liabilities	952,353
<u>NET POSITION:</u>	
Net investment in capital assets	712,576
Unrestricted (deficit)	50,985
Total net position	\$763,561

See accompanying notes to the basic financial statements.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30,2013

OPERATING REVENUES:	
Foundation payments	\$2,880,448
Food services	2,266
Classroom fees	13,499
Extracurricular activities	10,836
Other revenue	36,993
Total operating revenues	<u>2,944,042</u>
OPERATING EXPENSES:	
Salaries	1,499,716
Fringe benefits	416,721
Purchased services	1,081,818
Materials and supplies	230,379
Depreciation	112,892
Miscellaneous	151,587
Total operating expenses	<u>3,493,113</u>
Operating loss	<u>(549,071)</u>
NON-OPERATING REVENUES (EXPENSES):	
Restricted grants in aid - federal	747,408
Restricted grants in aid - state	4,626
Other Grants	8,165
Interest expense	(4,793)
Donated management fee	1,225
Total non-operating revenues (expenses)	<u>756,631</u>
Change in net position	207,560
Net position, beginning of year	556,001
Net position, end of year	<u><u>\$763,561</u></u>

See accompanying notes to the basic financial statements.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30,2013

INCREASE IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from State of Ohio	\$2,887,713
Cash received from other operating revenues	63,594
Cash payments to suppliers for goods and services	(1,343,505)
Cash payments to employees for services and benefits	(1,924,889)
Other cash payments	(151,587)
Net cash used for operating activities	(468,674)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal grants received	851,885
State grants received	4,626
Other grants received	8,165
Cash payments for notes issued	(80,000)
Cash received from notes receivable	80,000
Net cash provided by noncapital financing activities	864,676
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on notes payable	(4,793)
Proceeds received from loans	780,000
Principal payments	(32,754)
Payment for capital acquisitions	(1,114,981)
Net cash provided by capital and related financing activities	(372,528)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net increase in cash and cash equivalents	23,474
Cash and cash equivalents at beginning of year	231,885
Cash and cash equivalents at end of year	\$255,359
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	(\$549,071)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:	
Depreciation	112,892
Changes in Assets and Liabilities:	
Decrease in accounts payable	(31,308)
Increase in accrued wages and benefits payable	17,548
Increase in intergovernmental payable	(5,267)
Increase in intergovernmental receivable	7,265
Increase in payroll liabilities	(20,733)
Total adjustments	80,397
Net cash used for operating activities	(\$468,674)
NONCASH TRANSACTIONS:	
Donated management fee	\$1,225
Purchased services	1,225

See accompanying notes to the basic financial statements.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Horizon Science Academy of Youngstown (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through eight in Youngstown. The Academy, which is part of the State's education program, is independent of any Academy and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing June 30, 2010.

The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the Academy's facility, which is currently staffed by 50 full and part time personnel who provide services to up to 338 students during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position; and a statement of cash flows.

The Academy uses enterprise accounting to report its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses, and change in net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants, entitlements and donations are recognized in the period in which all eligibility requirements have been satisfied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

C. Budgetary Process

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

D. Cash

To improve cash management, all cash received by the Academy is pooled in a central bank account. The Academy did not have any investments during fiscal year 2013.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

Furniture and equipment are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

	<u>Useful Life</u>
Buildings	30 years
Leasehold Improvements	5 to 10 years
Heavy Duty Office or Classroom Furniture	10 years
Computers and Other Electronic Equipment	3 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Special Education Program, and Federal CCIP Program. Revenues received from the State Foundation Program, Special Education Program and other State programs are recognized as operating revenues whereas revenues from the Federal CCIP Program and other State Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Operating Revenues and Expenses

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

H. Compensated Absences

School policy indicates that full-time employees are entitled to up to eight days of sick or personal leave per year. Full time employees who do not use all of their sick or personal days within the year will receive \$125 for each unused day. All leave earned by employees must be used in the current period and balances are not carried forward, and therefore, are not recorded as a liability.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

J. Estimates

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

K. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the Academy has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Implementation of New Accounting Policies (Continued)

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net position reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets

3. DEPOSITS

As of June 30, 2013, the Academy's Chase bank balance of \$82,670 and PNC bank balance of \$254,819 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy has no policy regarding custodial credit risk.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 42,525	\$ -	\$ 42,525
Capital Assets, Being Depreciated:				
Building	-	937,475	-	937,475
Furniture and Equipment	548,358	134,981	(32,377)	650,962
Total Capital Assets, Being Depreciated	548,358	1,072,456	(32,377)	1,588,437
Accumulated Depreciation:				
Furniture and Equipment	(90,625)	(112,892)	32,377	(171,140)
Building	-	-	-	-
Total Accumulated Depreciation	(90,625)	(112,892)	32,377	(171,140)
Capital Assets, Net	\$ 457,733	\$ 1,002,089	\$ -	\$ 1,459,822

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$20,868, \$20,490 and \$6,660, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**Horizon Science Academy Youngstown
Mahoning County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

5. DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

5. DEFINED BENEFIT PENSION PLANS (Continued)

Combined Plan Benefits (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 was \$192,442, \$136,260 and \$80,304; 100% of this amount has been contributed during the fiscal year 2013.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

6. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, this amount equaled to \$13,746, \$9,732 and \$5,736 for fiscal year 2013, 2012 and 2011 respectively, which equaled the required contributions for each year.

**Horizon Science Academy Youngstown
Mahoning County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

6. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The Academy's contribution for the year ended June 30, 2013, 2012 and 2011 were \$1,118, \$1,098 and \$354 respectively, which equaled the required contributions for the year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care 15.44 Rev. 7/11 Page 4 of 4 Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Academy the amount of contributions assigned to health care for the year ended June 30, 2013, 2012 and 2011 were \$6,201, \$6,088 and \$1,961 respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the Academy contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage.

B. Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. 100% of this premium was paid for fiscal year 2013.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 60% of the monthly premium and the employee is responsible for the remaining 40%. The Academy has also contracted with private carriers to provide dental coverage. The Academy pays 60% of the monthly premium and the employee is responsible for the remaining 40%.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2013 were as follows:

Purchased Services	
Type	Amount
Professional Services	\$ 746,248
Rent and Property Services	242,161
Admin Travel	18,883
Advertising and Communications	52,499
Pupil Transportation	22,027
Total	\$1,081,818

10. NOTES RECEIVABLE

The following is a schedule of the note receivable activity during fiscal year 2013:

Notes Receivable				
	Balance on 7/1/2012	Additions	Deletions	Balance on 6/30/2013
HSA Lorain	\$0	\$30,000	\$30,000	\$0
HSA Denison Middle	0	50,000	50,000	0
Total	\$0	\$80,000	\$80,000	\$0

The Academy lent \$30,000 to Horizon Science Academy Lorain and \$50,000 to Horizon Science Academy Denison Middle with no interest due, which was used to pay for general operations of the Academies. The loans were repaid during FY13.

**Horizon Science Academy Youngstown
Mahoning County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

11. OPERATING LEASES – BUILDING PURCHASING

The Academy entered into a lease agreement for a building facility located at 3403 Southern Blvd. Youngstown, OH 44507 for the period August 1, 2010 through July 31, 2015 with NOG-Ohio LLC. During fiscal year 2013, payments made to NOG-Ohio LLC totaled \$174,622 by April 2013. The Academy purchased the building located at 3403 Southern Blvd. Youngstown, OH 44507 for total amount of \$980,000 from NOG-Ohio LLC as of April 2013. The Academy paid \$200,000 as a down payment, received a \$600,000 mortgage loan from PNC Bank, and NOG Ohio LLC, provided seller financing in the amount of \$180,000. The NOG-Ohio loan does not bear any interest and there will not be any monthly payment requirements. The loan is to be repaid no later than March, 31, 2015. The Academy made \$15,000 of payments to NOG-Ohio, LLC. The mortgage loan from PNC Bank bear interest of 4.75 percent and will be paid in full in 5 years. This loan period started on April 5th 2013. Detail of the changes in the building purchase loans is as follows:

Name	Balance			Balance		Amount Due
	June 30, 2012	Additions	Deductions	June 30, 2013	Within One Year	
NOG-Ohio	\$ -	\$ 180,000	\$ 15,000	\$ 165,000	\$ -	
PNC Bank Mortgage	-	600,000	17,754	582,246	109,635	
Total	<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 32,754</u>	<u>\$ 747,246</u>	<u>\$ 109,635</u>	

A summary of the Academy's future loan requirements, including principal and interest payments as of June 30, 2013, follows:

Fiscal Year Ending June 30,	PNC Mortgage		
	Principal	Interest	Total
2014	\$ 109,635	\$ 25,647	\$ 135,282
2015	115,033	20,249	135,282
2016	120,660	14,622	135,282
2017	126,638	8,644	135,282
2018	110,280	2,455	112,735
	<u>\$ 582,246</u>	<u>\$ 71,617</u>	<u>\$ 653,863</u>

12. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School. In fiscal year 2013, the Academy received grants from State and Federal agencies total of \$760,199.

Horizon Science Academy Youngstown
Mahoning County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

12. CONTINGENCIES (Continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2013 have not been calculated as of the audit date and will be included in the financial activity for fiscal year 2014.

C. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

13. SPONSORSHIP AGREEMENT

On July 1, 2010, Buckeye Community Hope Foundation assumed responsibility for sponsorship of the Academy for five (5) years by June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract, the Academy pays 3% of its foundation revenues to the Sponsor. In fiscal year 2013, the School's compensation to the Sponsor was \$86,494.

14. MANAGEMENT COMPANY AGREEMENT

In April 2010, the Academy contracted with Concepts Schools, Inc. to serve as the Academy's management company. The contract is renewed automatically every year in one year terms unless the Academy or the management company decides otherwise. According to the contract, the Academy transfers 12% of the funds received from the State. In fiscal year 2013, the School paid fees amount of \$344,753 to Concept Schools for management services. \$1,225 was forgiven by Concept Schools, and reflected in the statement of revenues, expenses and change in net position as donated management fee.

December 9, 2013

To the Board of Trustees
Horizon Science Academy Youngstown
3403 Southern Blvd.
Youngstown, Ohio 44507

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*

We have audited, in accordance with the 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, the financial statements of Horizon Science Academy Youngstown, Mahoning County, Ohio (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

December 9, 2013

To the Board of Trustees
Horizon Science Academy Youngstown
3403 Southern Blvd.
Youngstown, Ohio 44507

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Horizon Science Academy Youngstown's, Mahoning County, Ohio (the Academy) 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 the Academy's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

**HORIZON SCIENCE ACADEMY YOUNGSTOWN
MOHANING COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Revenue	Expense
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 87,287	\$ 87,287
National School Lunch Program	10.555	164,708	164,708
Total Child Nutrition Cluster		<u>251,995</u>	<u>251,995</u>
Total U.S. Department of Agriculture		<u>251,995</u>	<u>251,995</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Special Education Grant	84.027	90,765	90,765
Title I Grant	84.010	394,095	394,095
Improving Teacher Quality	84.367	5,303	5,303
ARRA - Race to the Top	84.395	<u>5,250</u>	<u>5,250</u>
Total U.S. Department of Education		<u>495,413</u>	<u>495,413</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 747,408</u>	<u>\$ 747,408</u>

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

**HORIZON SCIENCE ACADEMY YOUNGSTOWN
MAHONING COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reports the Horizon Science Academy of Youngstown's (the "Academy's") federal award programs' receipts and disbursements. The Schedule has been prepared on the accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

**HORIZON SCIENCE ACADEMY YOUNGSTOWN
MAHONING COUNTY, OHIO**

*Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2013*

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Nutrition Cluster: School Breakfast Program National School Lunch Program	CFDA #10.533 CFDA #10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

December 9, 2013

To the Board of Trustees
Horizon Science Academy Youngstown
3403 Southern Blvd.
Youngstown, Ohio 44507

Independent Accountant's Report on Applying Agreed-Upon Procedure

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Horizon Science Academy Youngstown, Mahoning County, Ohio (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Medina, Ohio



Dave Yost • Auditor of State

HORIZON SCIENCE ACADEMY YOUNGSTOWN

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 21, 2014**