

# **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2013



**HOPEACADEMIES**

There is HOPE  
for every child

**Hope Academy Northcoast Campus**

**Cleveland, Ohio**





# Dave Yost • Auditor of State

Board of Directors  
Hope Academy Northcoast Campus  
4310 East 71st Street  
Cleveland, Ohio 44105

We have reviewed the *Independent Auditor's Report* of the Hope Academy Northcoast Campus, Cuyahoga 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 Hope Academy Northcoast Campus 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 30, 2014

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**Hope Academy Northcoast Campus  
Cleveland, Ohio**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013**

Prepared by Brian G. Adams MBA, CMA, CFM, CrFA

**HOPE ACADEMY NORTHCOAST CAMPUS  
 CUYAHOGA COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2013**

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# Introductory Section

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December 31, 2013

Hope Academy Northcoast Campus Community  
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Hope Academy Northcoast Campus (the School) for the fiscal year ended June 30, 2013. The CAFR is designed to assist and guide the reader in understanding its contents. The report consists of three major sections:

Introductory Section The Introductory Section includes the Transmittal Letter, a list of our Board members, an organizational chart, and GFOA Certificate of Achievement.

Financial Section The Financial Section consists of the Independent Auditor's Report, Management's Discussion and Analysis, and the Basic Financial Statements as well as the Notes to the Basic Financial Statements that provide an overview of the School's financial position and operating results.

Statistical Section The Statistical Section includes selected financial and demographic information about the School on a multi-year basis.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework of internal controls that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS). Rea & Associates, Inc. rendered an opinion on the School's financial statements as of June 30, 2013 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

As required by GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2013 and the outlook for the future.

### Profile of the Government

Ohio charter schools began operating after the passage of a 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. Effective July 1, 2005, the School entered into a contract with a sponsor, St. Aloysius Orphanage. St. Aloysius Orphanage provides oversight and advisory services to 46 community schools throughout the State serving over 10,000 children.

Hope Academy Northcoast Campus is an elementary school offering grades K-8. The School, which first opened its doors in August of 2002 is located in Cleveland, Ohio and is run by a five member Board of Directors. The School has contracted with HA Northcoast, LLC, a subsidiary of White Hat Management, LLC to operate the School on a day-to-day basis. White Hat Management is a national leader in professional education management that operates 33 schools in three states under the auspices of three separate educational ventures. The Company has managed the School since its inception.

### Economic Issues

Since the enactment of community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see Statistical Section for historical funding levels). Historically, the School has seen an increase in the base level per pupil funding amount. However, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities that they operate in. By comparison, the Cleveland Municipal School District receives over \$18,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Cleveland) receives only \$9,400 from all sources. These disparities in funding are in part, the reason why contracting with a professional educational management firm like White Hat Management was an attractive option. By managing multiple schools, the Company is able to gain operational efficiencies that are more difficult to achieve in a stand-alone school. In November 2005, the School renewed its management agreement with White Hat and its affiliates. (See Note 7 for a full description of services provided by the Company.)

As discussed later, the School was funded on 290 full-time equivalent students for fiscal year 2013. As of the date of this letter, it is expected that the School will maintain that enrollment with the possibility of a slight decline consistent with declines seen in other Hope Academies throughout the State. Obviously, any decline in enrollment would have a direct corresponding impact to current year revenues.

As a result of legislative changes, management companies that operate schools in the State of Ohio are required to provide more disclosure on how monies paid by the School to the company are spent. Auditor of State Bulletin No. 2004-009 provided the guidelines of how management companies are expected to comply with this provision and Note 8 to the basic financial statements under the Financial Section includes the required information for fiscal year ended June 30, 2013.

Awards and Acknowledgements

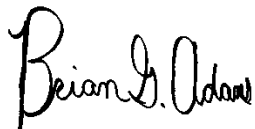
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hope Academy Northcoast Campus for its CAFR for the year ended June 30, 2012. The School has received the award annually since 2004. The School was also acknowledged by the Ohio Department of Education as being one of the first community schools in the State to ever receive such an award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and effectively organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report, which is included herein, will conform to the high standards required by the Certificate of Achievement program.

The Comprehensive Annual Financial Report was prepared by the fiscal management team for the School. Their commitment to this process has helped to make this report possible. We would also like to thank Ms. Vance and other members of the Board of Directors and Finance Committee for their support in this endeavor. It is truly appreciated.

Finally, we would like to thank our School community for entrusting us with the education of your children. You are the reason we are here. We are committed to bettering our students, their parents, and the communities we serve by providing the very best alternative in public education.

Sincerely,



Brian G. Adams MBA, CMA, CFM, CrFA  
Fiscal Officer/Internal Auditor  
Hope Academy Northcoast Campus



Elain Vance  
President, Board of Directors  
Hope Academy Northcoast Campus

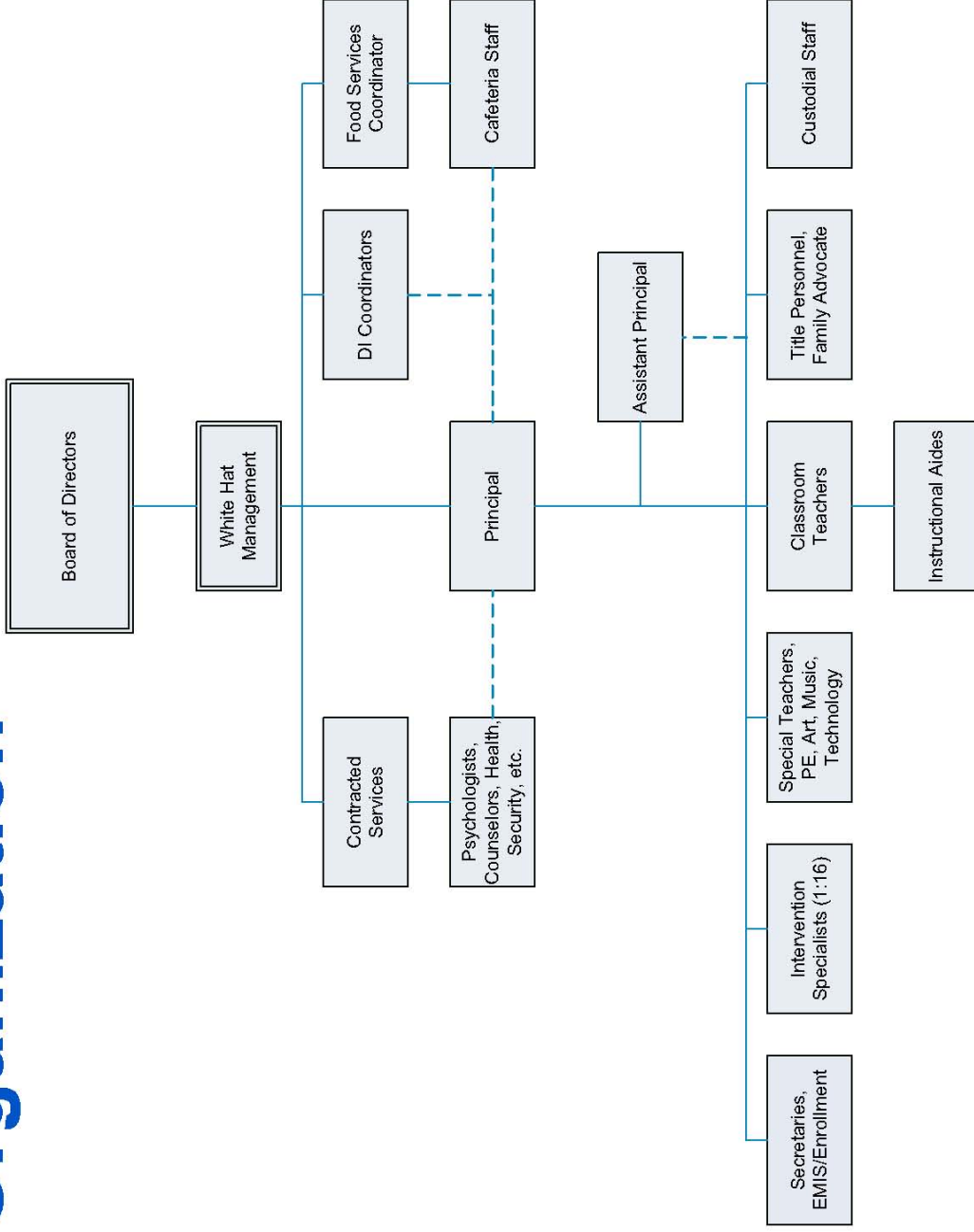
Hope Academy Northcoast Campus  
Board of Directors  
June 30, 2013

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Elain Vance  
Prince Meredith  
Brenda Dixon  
Dorothy Curtis  
Clifford King

Board President  
Board Member  
Board Member  
Board Member  
Board Member

# Organization



*There is HOPE for every child*



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Hope Academy**  
**Northcoast Campus, Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Financial Section

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December 31, 2013

To the Board of Directors  
Hope Academy Northcoast Campus  
Cuyahoga County, Ohio  
4310 East 71<sup>st</sup> Street  
Cleveland, OH 44105

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 respective financial position of the business-type activities of the School, as of June 30, 2013, and the respective changes in financial position and cash flows thereof 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 3-6 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 School's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 on our consideration of the School'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 the School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

The discussion and analysis of the Hope Academy Northcoast Campus' (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, net position decreased \$21,295, which represents a 16.3 percent decrease from 2012. This decrease is due to the depreciation of capital assets and the spending of supplemental educational services.
- Total assets decreased \$71,200, which represents a 28.2 percent decrease from 2012. This was primarily due to depreciation of capital assets and reduction in receivables.
- Liabilities decreased \$49,905, which represents a 41.1 percent decrease from 2012. The decrease in liabilities is a direct primarily due to an increase in continuing fees payable and grant funding payable.

**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 Changes in Net Position, and a Statement of Cash Flows.

The School uses enterprise presentation for all of its activities.

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2013. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

Table 1 provides a summary of the School's Net Position for fiscal years 2013 and 2012.

(Table 1)  
**Statement of Net Position**

	2013	2012
<b>Assets</b>		
Current Assets	\$139,005	\$178,193
Non-Current Assets	42,274	74,286
Total Assets	181,279	252,479
<b>Liabilities</b>		
Current Liabilities	71,594	121,499
<b>Net Position</b>		
Investment in Capital Assets	42,274	74,286
Unrestricted	67,411	56,694
Total Net Position	\$109,685	\$130,980

Total assets decreased \$71,200, which represents a 28.2 percent decrease from 2012. This was primarily due to depreciation of capital assets and reduction in receivables. Liabilities decreased \$49,905, which represents a 41.1 percent decrease from 2012. The decrease in liabilities is a direct primarily due to an increase in continuing fees payable and grant funding payable.

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 shows the changes in Net Position for fiscal years 2013 and 2012, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

(Table 2)  
**Change in Net Position**

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES</b>		
State Aid	\$ 2,152,113	\$ 2,078,946
Casino Aid	6,128	-
<b>NON-OPERATING REVENUE</b>		
Grants	567,285	609,436
Interest Income	224	267
Miscellaneous	362	2,113
Total Revenues	2,726,112	2,690,762
<b>OPERATING EXPENSES</b>		
Purchased Services: Management Fees	2,001,465	1,933,420
Purchased Services: Grant Programs	567,285	568,949
Instructional Services	-	40,463
Supplemental Education Services	4,320	11,418
Sponsorship Fees	64,546	51,942
Legal	27,750	14,898
Auditing and Accounting	28,933	32,438
Insurance	1,594	1,435
Board of Education	16,383	11,594
Depreciation	32,012	32,012
Miscellaneous	3,119	33,509
Total Expenses	2,747,407	2,732,078
Change in Net Position	\$ (21,295)	\$ (41,316)

The primary reason for the increase in overall revenues from 2012 was the increase in student enrollment. The School's most significant expenses, "Purchased Services – Management Fees" increased as well because of the management agreement in place between the School and WHLS. As stated previously, the agreement provides that specific percentages of the revenues received by the School will be paid to WHLS to fund operations. (See Notes to the Basic Financial Statements, Note 7)

**Budgeting Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

**Capital Assets**

At the end of fiscal year 2013 the School had \$42,274, invested in capital assets, which represented a decrease of \$32,012 from 2012 as shown below:

(Table 3)

**Capital Assets (Net of Depreciation)**

	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,297	\$ 2,593
Leasehold Improvements	40,977	71,693
Totals	<u>\$ 42,274</u>	<u>\$ 74,286</u>

For more information on capital assets, see Note 5 in the Notes to the Basic Financial Statements.

**Current Financial Issues**

The Hope Academy Northcoast Campus received revenue for 290 students in 2013 (an increase from 2012 of 11) and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$7,451 in fiscal year 2013. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage (SAO) as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. In June 2010, the School extended its contract with SAO through June 30, 2013. SAO will be paid Two Percent (2%) for the time period of July 1, 2010 through June 30, 2011, Two and a half Percent (2.5%) for the time period of July 1, 2011 through June 30, 2012 and Three Percent (3%) for the remainder of the contractual period of all funds received by the School from the State of Ohio.

**Contacting the School's Financial Management**

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Brian G. Adams, Fiscal Officer for the Hope Academy Northcoast Campus, 65 E. Wilson Bridge Road, Worthington, OH 43085 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION  
JUNE 30, 2013

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 61,817
Grants Receivable	71,489
Continuing Fees Receivable	<u>5,699</u>

Total Current Assets 139,005

Noncurrent Assets

Depreciable Capital Assets, net	<u>42,274</u>
Total Noncurrent Assets	<u>42,274</u>

**Total Assets** 181,279

**LIABILITIES**

Current Liabilities

Grants Funding Payable	71,489
Payable to Schools	<u>105</u>

**Total Liabilities** 71,594

**NET POSITION**

Investment in Capital Assets	42,274
Unrestricted	<u>67,411</u>

**Total Net Position** \$ 109,685

See accompanying notes to the basic financial statements

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**OPERATING REVENUES**

State Aid	\$2,152,113
Casino Aid	<u>6,128</u>

**Total Operating Revenues** 2,158,241

**OPERATING EXPENSES**

Purchased Services: Management Fees	2,001,465
Purchased Services: Grant Programs	567,285
Supplemental Education Services	4,320
Sponsorship Fees	64,546
Legal	27,750
Auditing and Accounting	28,933
Insurance	1,594
Board of Education	16,383
Depreciation	32,012
Miscellaneous	<u>3,119</u>

**Total Operating Expenses** 2,747,407

**Operating Loss** (589,166)

**NON-OPERATING REVENUE**

Grants	567,285
Interest Income	224
Miscellaneous	<u>362</u>

**Total Non-Operating Revenue** 567,871

**Change in Net Position** (21,295)

**Net Position Beginning of Year** 130,980

**Net Position End of Year** \$ 109,685

See accompanying notes to the basic financial statements



**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State of Ohio	\$ 2,158,241
Cash Payments to Suppliers for Goods and Services	<u>(2,805,827)</u>
Net Cash Used For Operating Activities	<u>(647,586)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Grants	627,023
Miscellaneous Cash Receipts	<u>362</u>
Net Cash Provided by Noncapital Financing Activities	<u>627,385</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest on Investments	<u>224</u>
Net Decrease in Cash and Cash Equivalents	(19,977)
Cash and Cash Equivalents Beginning of Year	<u>81,794</u>
Cash and Cash Equivalents End of Year	<u>\$ 61,817</u>

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (589,166)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	32,012
Changes in Assets and Liabilities:	
Continuing Fee Receivable	(5,699)
Accounts Payable	(12,663)
Grants Payable	(58,771)
Continuing Fees Payable	(1,895)
Sponsor Fee Payable	(10,341)
Payable to School	<u>(1,063)</u>
Net Cash Used For Operating Activities	<u>\$ (647,586)</u>

See accompanying notes to the basic financial statements

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**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Hope Academy Northcoast Campus (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with HA Northcoast, LLC, a Nevada limited liability company, for most of its functions. WHLS of Ohio, LLC, a Nevada limited liability company ("WHLS") d/b/a White Hat Management Company, is the sole member of HA Northcoast, LLC and is the entity with which the School's board interacts regarding day-to-day operations (see note 7 for details).

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with a sponsor, Saint Aloysius Orphanage (Sponsor), to operate for a period from July 1, 2005 through June 30, 2010. In June 2010, the school signed a new 3-year agreement for services.

The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 facility is staffed with teaching personnel employed by WHLS, who provide services to 290 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School 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 School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund 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 are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2013. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. Cash and Cash Equivalents**

All cash received by the School is maintained in a demand deposit account, certificates of deposit, a money market account, and STAROhio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. During fiscal year 2013, investments were limited to the State Treasurer's Investment Pool (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Intergovernmental Revenues (Continued)**

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2013 school year totaled \$2,725,526.

**F. Capital Assets and Depreciation**

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation of \$42,274. Depreciation is computed by the straight-line method over five years for "Equipment," three years for "Computers and Software," and five to twenty years for "Leasehold Improvements".

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS. (See Note 7)

**G. Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Net Position**

Net Position represent the difference between assets and liabilities. Net Position consist of capital assets, net of accumulated depreciation, and unrestricted Net Position.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State and Casino Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all School deposits was \$61,664, and its bank balance was \$61,664. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the School's bank balance of \$61,664 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**B. Investments**

As of June 30, 2013, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>Greater than 12 months</u>
STAROhio	\$153	\$153	\$ -	\$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days.

Credit Risk: The School's investments at June 30, 2013 in StarOhio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$153	100.00

**4. GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded "Grants Funding Receivable" in the amount of \$71,489 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2013.

Additionally, under the terms of the management agreement (See Note 7), the School has recorded "Grants Funding Payable" to WHLS in the amount of \$71,489 for 100 percent of any State and Federal monies uncollected or unpaid to WHLS as of June 30, 2013.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2013, the School's capital assets consisted of the following:

	<b>Balance</b>			<b>Balance</b>
	<b><u>6/30/2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>6/30/2013</u></b>
<b>Capital Assets Being Depreciated</b>				
Equipment	\$ 45,571	\$ -	\$ -	\$ 45,571
Computers and Software	7,250	-		7,250
Leasehold Improvements	<u>307,163</u>	-	-	<u>307,163</u>
<b>Total Assets Being Depreciated</b>	<u>359,984</u>	-	-	<u>359,984</u>
<b>Less: Accumulated Depreciation</b>			-	
Equipment	(42,978)	(1,296)	-	(44,274)
Computers and Software	(7,250)	-		(7,250)
Leasehold Improvements	<u>(235,470)</u>	<u>(30,716)</u>	-	<u>(266,186)</u>
<b>Total Assets Being Depreciated</b>	<u>(285,698)</u>	<u>(32,012)</u>	-	<u>(317,710)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>\$ 74,286</u>	<u>\$(32,012)</u>	<u>\$ -</u>	<u>\$ 42,274</u>

**6. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 7). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

**Director and Officer** - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$2,500 deductible.

**7. AGREEMENT WITH WHLS**

Effective November 1, 2005, the School entered into a multi-year Management Agreement (Agreement) with WHLS (through its subsidiary HA Northcoast, LLC), which is an educational consulting and management company. The Agreement's term ran through June 30, 2008, was renewed for one year term ending June 30, 2009, and will renew for an additional one year term ending on June 30, 2010. In June 2010, the school signed a new 3 year agreement for services. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 93 percent. "Continuing Fees" are defined in the Agreement as, "...the revenue per student received by the School from the State of Ohio Department of Education pursuant to Title 33 and other provisions of the Ohio Revised Code...". With regard to grant funding, the agreement reads as follows: "Federal Title Programs, lunch programs revenue, and other such federal, state and local government grant funding designated to compensate the school for the education of its students shall be fully paid to the Company." The continuing fee is paid to WHLS based on the previous month's qualified gross revenues". As such, WHLS receives 93 percent of "State Aid" (see note 2 E) and 100 percent of all other federal, state, and local grants. The School retains 4 percent of the "State Aid" as well as miscellaneous revenues generated from interest on deposits and donations.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. AGREEMENT WITH WHLS (continued)**

The continuing fee is paid to WHLS based on the previous month's qualified gross revenues. The School had purchased service expenses for the year ended June 30, 2013, to WHLS of \$2,568,750 and payables to WHLS at June 30, 2013 aggregating \$71,489, with a receivable of \$5,699 for overpayment of management fees. WHLS is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**8. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2013, White Hat Ventures, LLC and its affiliates incurred the following expenses on- behalf of the School.

	<b>2013</b>
<b>Expenses</b>	
<b>Direct Expenses:</b>	
Salaries & wages	\$ 905,731
Employees' benefits	279,856
Professional & technical services	347,206
Property services	228,546
Travel	2,182
Communications	11,490
Utilities	62,077
Books, periodicals, & films	35,208
Food & Related Supplies	89,948
Other supplies	44,968
Depreciation	3,870
Other direct costs	73,369
<b>Indirect Expenses:</b>	
Overhead	265,582
<b>Total Expenses</b>	<b>\$2,350,033</b>

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**9. DEFINED BENEFIT PENSION PLANS**

The School has contracted with WHLS to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 7)



**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (continued)**

**A. School Employees Retirement System**

**Plan Description** – WHLS, on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the WHLS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount 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 and Health Care Fund) of the System. For the fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. WHLS contributions to SERS for the year ended June 30, 2013, 2012 and 2011 were \$43,413, \$34,774, and \$34,255, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

**Plan Description** – WHLS, on behalf of the School, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013 the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$77,488, \$78,632, and \$88,967, respectively, of which 100% has been contributed. The above is the latest information available.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

**10. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement Systems**

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

**Medicare Part B**

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 premium or the current premium. The Medicare Part B 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 for retirees was \$45.50.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement Systems (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2012, the actuarial required allocation is .74 percent. WHLS contributions for the years ended June 30, 2013, 2012 and 2011 were \$2,462, \$2,054, and \$2,204, respectively, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, 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.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2013, the minimum compensation level was established at \$20,525. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Schools' contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011 were \$13,414 , \$7,947, and \$9,411, 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 their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, 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](http://www.ohsers.org) under **Employers/Audit Resources**.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Teacher Retirement Systems**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,961, \$6,049, and \$6,844, respectively all of which has been contributed for all fiscal years.

The above is the latest information available.

**11. CONTINGENCES**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**B. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are 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.

**12. FEDERAL TAX STATUS**

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**13. SPONSORSHIP FEES**

The School contracted with Saint Aloysius Orphanage (SAO) as its sponsor effective July 1, 2005. The School pays the Sponsor two and 1/2 percent of the State Aid. Total fees for fiscal year 2013 were \$64,546. In June 2010, the School extended its contract with SAO through June 30, 2013. SAO will be paid Two Percent (2%) for the time period of July 1, 2010 through June 30, 2011, Two and a half Percent (2.5%) for the time period of July 1, 2011 through June 30, 2012 and Three Percent (3%) for the remainder of the contractual period of all funds received by the School from the State of Ohio.

**14. PAYABLE TO SCHOOLS**

The School shares costs for certain professional services with other Hope Academies and Life Skills Centers. As of June 30, 2013, the School has \$105 due to other schools (payable) for various payments made for these services.

**15. CHANGE IN ACCOUNTING PRINCIPLES**

For 2013, the school has implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the school's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

# Statistical Section

# STATISTICAL SECTION

This part of the **Hope Academy Northcoast Campus'** comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the School's overall financial health. This school has presented less than ten years of statistical data due to the fact that the school began operations in 2003.

## Contents

### ***Financial Trends***

This schedule contains trend information to help the reader understand how the School's overall expenses by class compared with the expenditure per pupil have changed over time.

- Operating Expenses by Category
- State Basic Aid – Per Pupil Funding

### ***Revenue Capacity***

This schedule contains information to help the reader assess the affordability of the School's most significant revenue sources the state aid and grants.

- Operating and Non-Operating Revenues

### ***Enrollment Trends***

This schedule contains information to help the reader understand the changes in enrollment over time.

- Full-Time Equivalent (FTE) Enrollment

### ***Revenue by Grants Sources***

This schedule contains information to help the reader understand the changes in revenues by grant source.

- Grant Revenues by Source

### ***Net Position Trends***

This schedule offers information to help the reader understand the funds invested in capital assets versus the unrestricted funds remaining for future expenditures.

- Net Position

### ***Demographic and Economic Information***

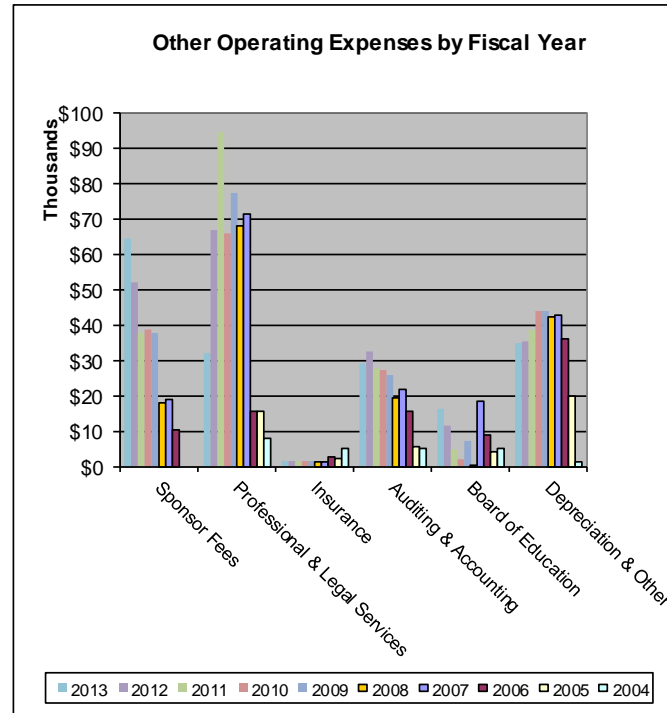
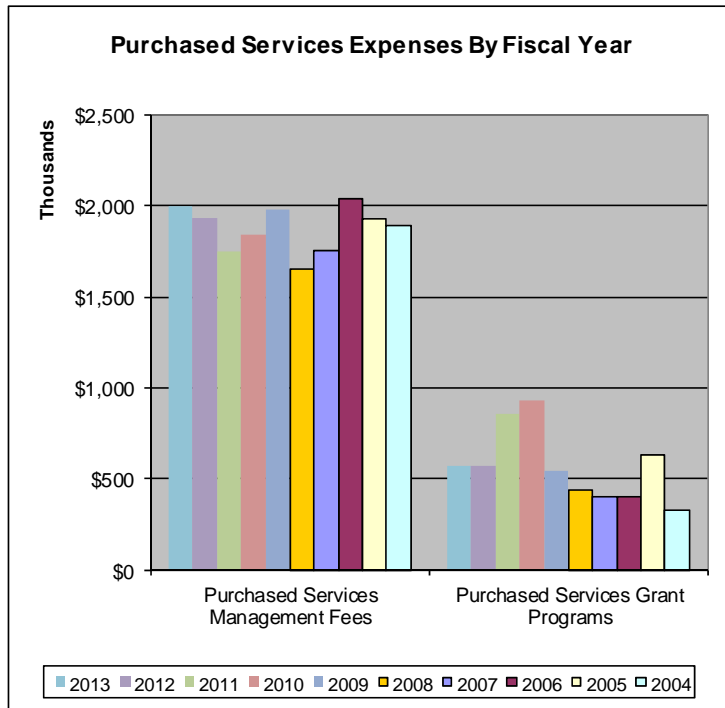
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.

- Student Population by Resident District
- Miscellaneous Statistics
- Principal Employers

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School implemented GASB Statement 34 for the year ended June 30, 2004.

## Hope Academy Northcoast Campus Operating Expenses by Category Last Ten Fiscal Years

Year	Purchased Services Management Fees	Purchased Services Grant Programs	Sponsor Fees	Professional & Legal Services	Insurance	Auditing & Accounting	Board of Education	Depreciation & Other	Total	Enrollment	Per Pupil Expenditure
2013	\$ 2,001,465	\$ 567,285	\$64,546	\$ 32,070	\$ 1,594	\$ 28,933	\$ 16,383	\$ 35,131	\$2,747,407	290	\$ 9,474
2012	\$ 1,933,420	\$ 568,949	\$51,942	\$ 66,779	\$ 1,435	\$ 32,438	\$ 11,594	\$ 35,521	\$2,702,078	279	\$ 9,685
2011	\$ 1,753,070	\$ 858,207	\$37,613	\$ 94,511	\$ 1,461	\$ 27,696	\$ 5,029	\$ 38,949	\$2,816,536	273	\$ 10,317
2010	\$ 1,845,497	\$ 926,031	\$38,858	\$ 65,858	\$ 1,444	\$ 27,227	\$ 2,161	\$ 43,875	\$2,950,951	282	\$ 10,479
2009	\$ 1,981,037	\$ 540,661	\$37,871	\$ 77,375	\$ 1,614	\$ 25,689	\$ 7,051	\$ 43,903	\$2,715,201	285	\$ 9,527
2008	\$ 1,656,021	\$ 438,487	\$17,739	\$ 68,283	\$ 1,390	\$ 19,594	\$ 304	\$ 42,441	\$2,244,259	244	\$ 9,198
2007	\$ 1,755,978	\$ 402,878	\$18,795	\$ 71,313	\$ 1,390	\$ 21,555	\$ 18,354	\$ 42,576	\$2,332,839	264	\$ 8,837
2006	\$ 2,040,776	\$ 402,203	\$10,392	\$ 15,341	\$ 2,764	\$ 15,421	\$ 8,829	\$ 36,294	\$2,532,020	298	\$ 8,497
2005	\$ 1,932,090	\$ 634,432	\$ -	\$ 15,635	\$ 1,980	\$ 5,582	\$ 4,252	\$ 19,901	\$2,613,872	288	\$ 9,076
2004	\$ 1,887,343	\$ 330,027	\$ -	\$ 7,770	\$ 5,032	\$ 5,171	\$ 4,912	\$ 1,301	\$2,241,556	300	\$ 7,472



**Note 1:** The School began enrolling students in FY 03.

**Note 2:** The sponsor may contract with the school to receive 3% or less of the amount the State pays to a school annually, solely for the costs of its oversight and monitoring activities.

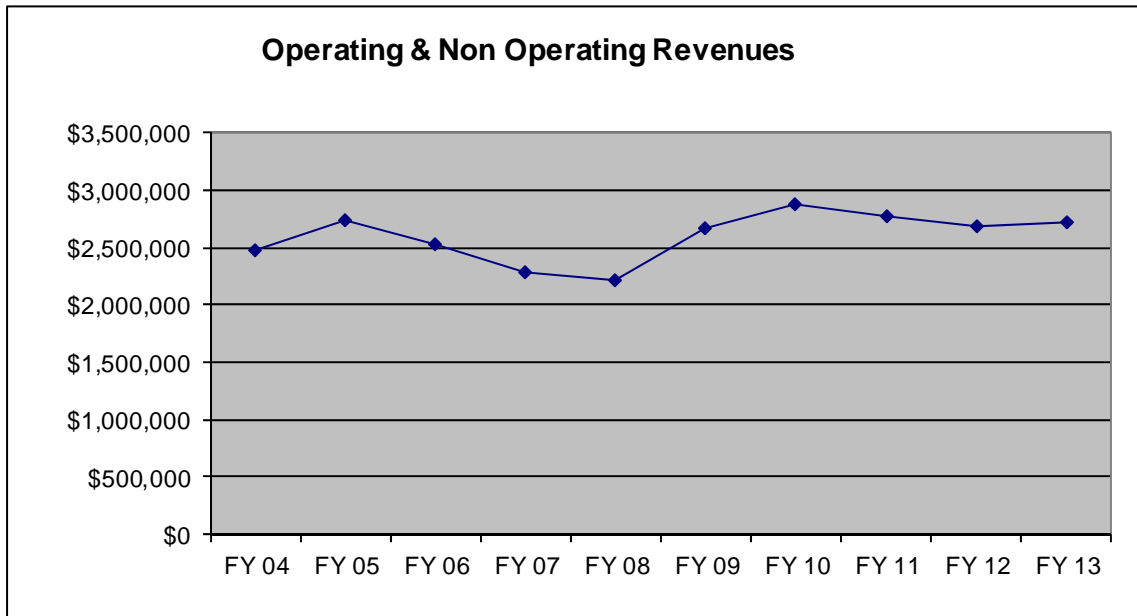
**Note 3:** Restatement in FY 08 due to prior period adjustment for grant expenditures.

Source: School Financial Records



Hope Academy Northcoast Campus  
 Operating and Non-Operating Revenues  
 Last Ten Fiscal Years

<u>Year</u>	<u>State &amp; Casino Aid</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
2013	\$2,158,241	\$567,285	\$ 586	<b>\$2,726,112</b>
2012	\$2,078,946	\$609,436	\$ 2,380	<b>\$2,690,762</b>
2011	\$1,884,480	\$891,883	\$ 2,375	<b>\$2,778,738</b>
2010	\$1,942,882	\$926,031	\$ 1,583	<b>\$2,870,496</b>
2009	\$2,124,442	\$547,141	\$ 3,103	<b>\$2,674,686</b>
2008	\$1,773,870	\$438,486	\$ 8,009	<b>\$2,220,365</b>
2007	\$1,864,186	\$410,128	\$10,289	<b>\$2,284,603</b>
2006	\$2,119,387	\$402,203	\$ 8,250	<b>\$2,529,840</b>
2005	\$1,991,845	\$743,024	\$ 3,496	<b>\$2,738,365</b>
2004	\$1,945,715	\$529,428	\$ 1,359	<b>\$2,476,502</b>

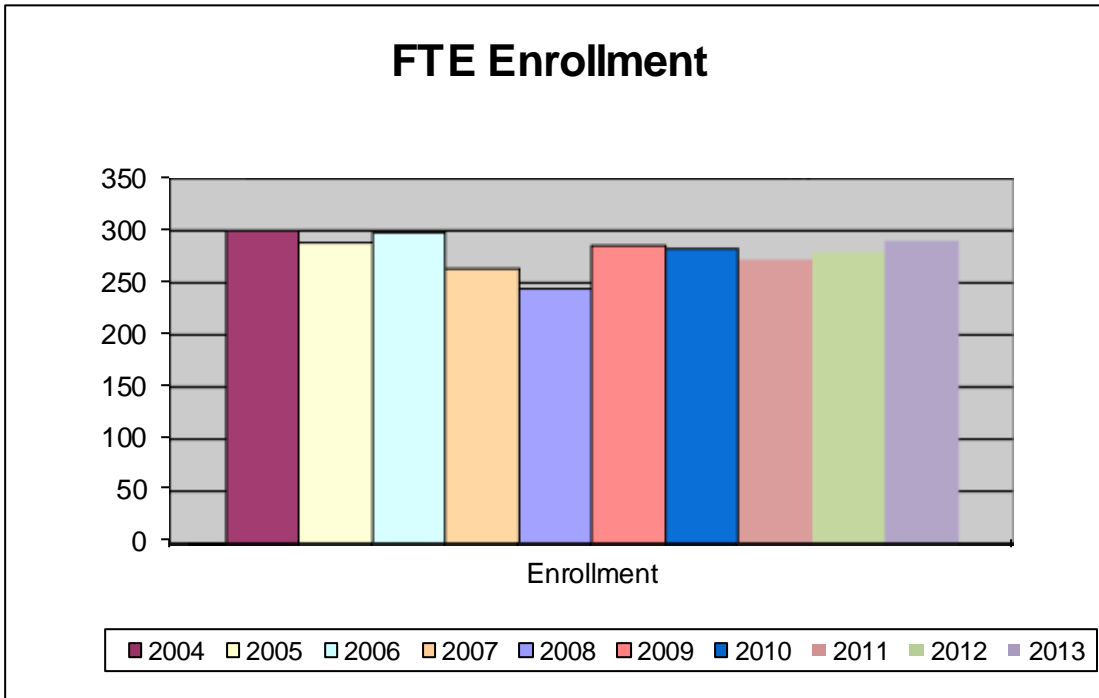


**Note: The School began enrolling students in FY 03.**

**Source: School Financial Records**

Hope Academy Northcoast Campus  
Full-Time Equivalent (FTE) Enrollment  
Last Ten Fiscal Years

<u>Year</u>	<u>Enrollment</u>
2013	290
2012	279
2011	273
2010	282
2009	285
2008	244
2007	264
2006	298
2005	288
2004	300

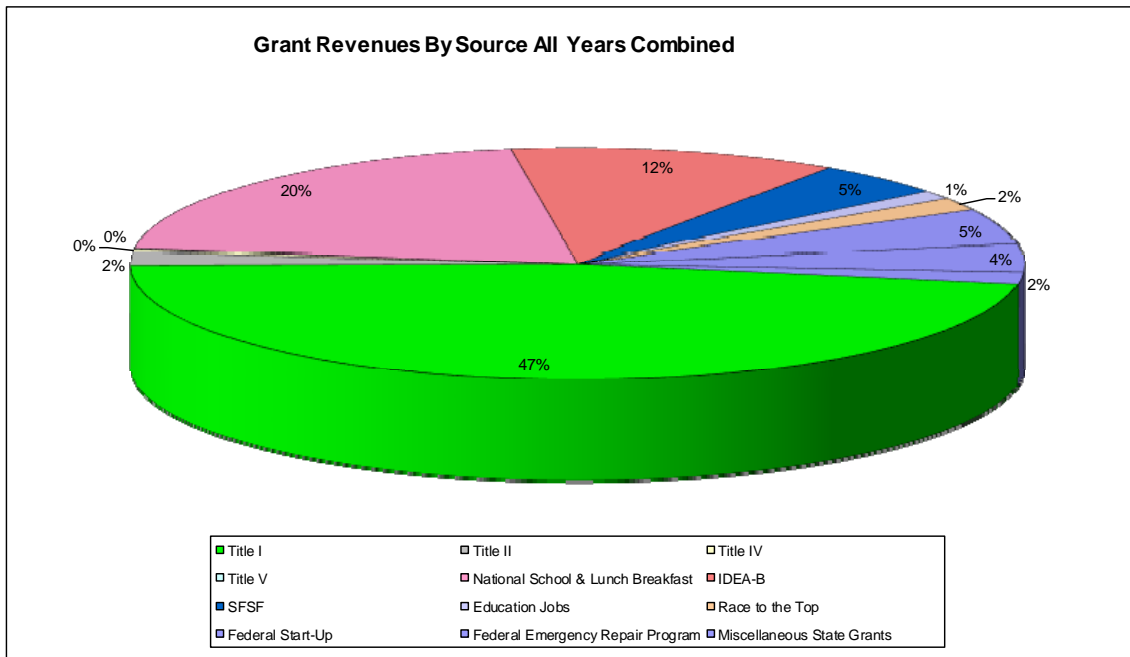


**Note: The School began enrolling students in FY 03**

**Source: School Financial records**

## Hope Academy Northcoast Campus Grant Revenues by Source Last Ten Fiscal Years

Year	Title I	Title II	Title IV	Title V	National School & Lunch Breakfast	Title VI	State Stabilization	Education Jobs	Race to the Top	Federal Start-Up	Federal Emergency Repair Program	Misc State Grants	Total
2013	\$269,867	\$ 3,816	\$ -	\$ -	\$147,445	\$ 83,126	\$ -		\$59,642	\$ -	\$ -	\$ 3,390	\$567,285
2012	\$321,974	\$ 5,049	\$ -	\$ -	\$161,508	\$ 55,240	\$ -	\$40,463	\$21,865	\$ -	\$ -	\$ 3,337	\$609,436
2011	\$410,120	\$10,254	\$1,309	\$ -	\$124,324	\$ 98,814	\$159,260	\$33,676	\$36,351	\$ -	\$ -	\$17,775	\$891,883
2010	\$511,744	\$13,002	\$2,272	\$ -	\$147,498	\$110,692	\$132,336	\$ -	\$ -	\$ -	\$ -	\$ 8,486	\$926,031
2009	\$299,602	\$13,362	\$2,656	\$ 229	\$153,206	\$ 67,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,390	\$547,141
2008	\$232,103	\$11,899	\$3,541	\$ 713	\$112,686	\$ 70,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,890	\$438,487
2007	\$211,859	\$11,016	\$3,394	\$ 476	\$109,136	\$ 66,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,900	\$410,128
2006	\$191,499	\$11,633	\$4,728	\$ 946	\$107,185	\$ 73,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$13,075	\$402,203
2005	\$217,633	\$15,032	\$4,048	\$1,249	\$ 99,202	\$ 68,031	\$ -	\$ -	\$ -	\$300,000	\$ 28,425	\$ 9,404	\$743,024
2004	\$181,716	\$13,756	\$ 655	\$2,005	\$ 82,548	\$ 30,568	\$ -	\$ -	\$ -	\$ -	\$199,400	\$18,780	\$529,428

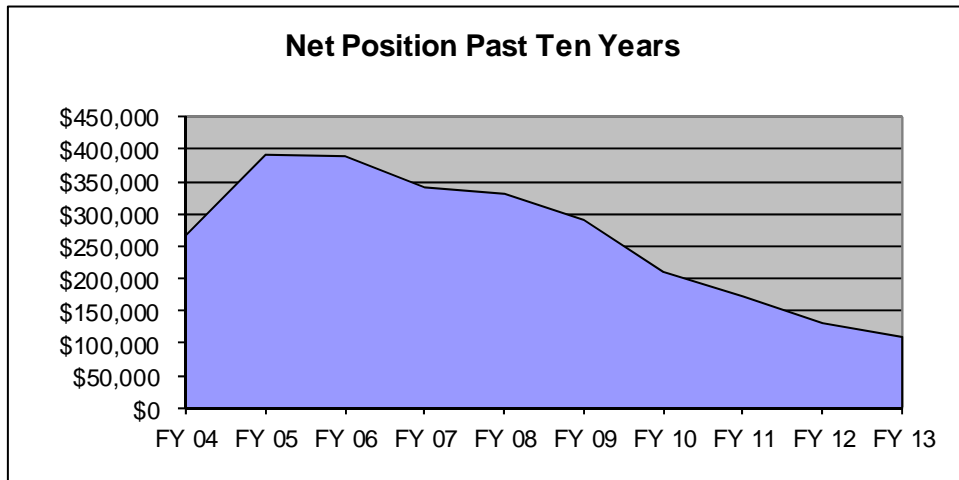


**Note: The School began enrolling students in FY 03.**

**Source: School Financial Records**

Hope Academy Northcoast Campus  
Net Position  
Last Ten Fiscal Years

Year	Invested in Capital Assets	Unrestricted	Total	Change in Net Position
2013	\$ 42,274	\$ 67,411	\$ 109,685	\$ (21,295)
2012	\$ 74,286	\$ 56,694	\$ 130,980	\$ (41,316)
2011	\$ 106,298	\$ 65,998	\$ 172,296	\$ (37,798)
2010	\$ 140,917	\$ 69,177	\$ 210,094	\$ (80,455)
2009	\$ 180,947	\$109,601	\$ 290,548	\$ (40,516)
2008	\$ 215,419	\$115,645	\$ 331,064	\$ (9,833)
2007	\$ 256,371	\$ 84,526	\$ 340,897	\$ (48,236)
2006	\$ 289,871	\$ 99,262	\$ 389,133	\$ (2,180)
2005	\$ 286,708	\$104,605	\$ 391,313	\$124,493
2004	\$ 112,460	\$154,360	\$ 266,820	\$234,946



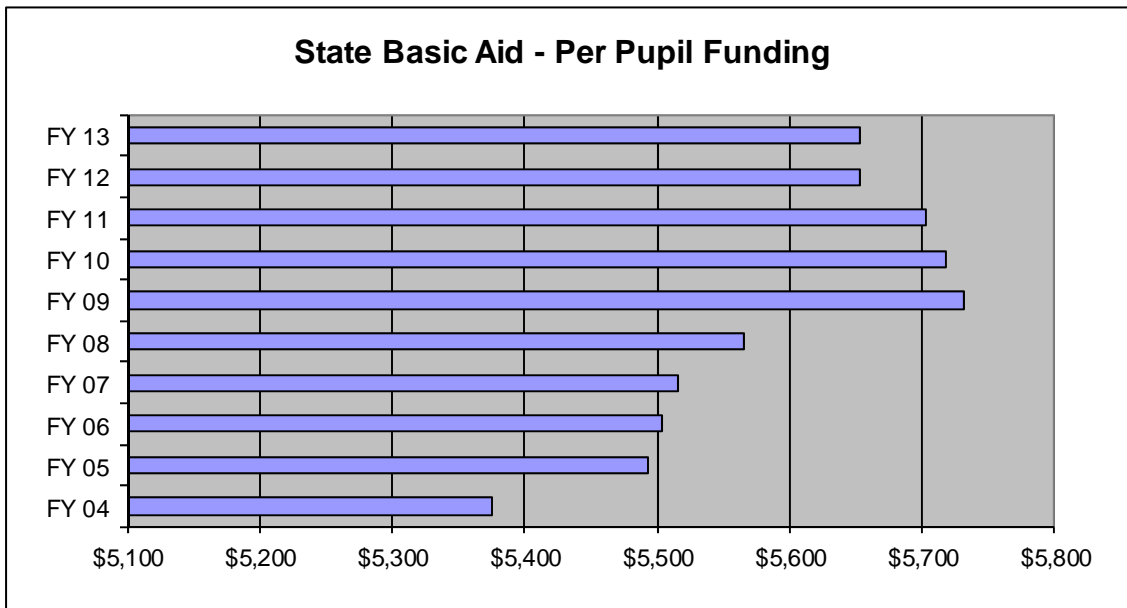
**Note: The School began enrolling students in FY 03.**

**\* = A prior period adjustment of \$14,601 was recorded**

**Source: School Financial Records**

Hope Academy Northcoast Campus  
 State Basic Aid – Per Pupil Funding Amount  
 Last Ten Fiscal Years

Year	Per Pupil Funding	Cost of Doing Business	Total Per Pupil
2013	\$ 5,653	-	\$ 5,653
2012	\$ 5,653	-	\$ 5,653
2011	\$ 5,703	-	\$ 5,703
2010	\$ 5,718	-	\$ 5,718
2009	\$ 5,732	-	\$ 5,732
2008	\$ 5,565	-	\$ 5,565
2007	\$ 5,403	1.0209	\$ 5,516
2006	\$ 5,283	1.0417	\$ 5,503
2005	\$ 5,169	1.0626	\$ 5,493
2004	\$ 5,058	1.0626	\$ 5,375



**Note 1:** In addition to the above, the School also receives other sources of State Aid including (but not limited to) Career Based Intervention Funding, Disadvantaged Pupil Impact Aid, Parity Aid, and Special Education funding. The revenues have collectively been identified on the Statement of Revenues, Expenses, and Changes in Net Position as “State Aid.”

The Cost of Doing Business Factors are determined by the State of Ohio and vary by region.

**Note 2:** The School began enrolling students in FY 03.

**Note 3:** The Ohio Department of Education eliminated the cost of doing business factor in fiscal year 2008.

**Source:** Ohio Department of Education

Hope Academy Northcoast Campus  
Student Population by Resident District  
2013 Fiscal Year

---

<u>Resident District</u>	<u>%</u>
Cleveland	97.55%
Garfield Heights	1.86%
All Other Districts	0.59%

**Note 1:** The School has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

**Note 2:** Districts representing less than 2 percent of the student population are combined under the heading “All Other Districts”.

**Source:** Ohio Department of Education

Hope Academy Northcoast Campus  
Miscellaneous Statistics

**School Address:** 4310 East 71<sup>st</sup> Street  
Cleveland, Ohio 44105

**Square Footage:** 20,054 sq. ft.

**Date of Incorporation:** 1/17/2002

**Instructional Staff:** 15

**Total FY 13 Staff:** 24



**Note: All Staff are employees of WHLS of Ohio, LLC. See Note 7 in Notes to the Basic Financial Statements.**

**Instructional Staff/  
Student Ratio** 16:1

**Percent of Low  
Income Students:** 96.2%

**Source: School Records**

## Hope Academy Northcoast Campus Principal Employers

### Principal Employers Current Year and Nine Years Ago

Employer	2012			2003		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Cleveland Clinic Health System	34,000	1	3.42%			
U.S. Office of Personnel Manag	15,095	2	1.52%			
University Hospitals	13,726	3	1.38%			
Giant Eagle Incorporated	10,311	4	1.04%			
Progressive Corporation	8,612	5	0.87%			
Cuyahoga County	7,859	6	0.79%			
City of Cleveland	7,089	7	0.71%			
General Motors	5,975	8	0.60%			
Key Corp	5,827	9	0.59%			
MetroHealth Systems	5,558	10	0.56%			
Cast Western Reserve Universit	4,620	11	0.46%			
Cleveland Clinic Health System				23,360	1	2.17%
University Hospitals				14,111	2	1.31%
Key Corp				7,655	3	0.71%
Progressive Corp				6,468	4	0.60%
Ford Motor Company				6,252	5	0.58%
National City Corporation				5,590	6	0.52%
MetroHealth Systems				5,267	7	0.49%
Case Western Reserve				5,060	8	0.47%
SBC Ameritech				4,343	9	0.40%
Continental Airlines				3,492	10	0.32%
Giant Eagle Incorporated				3,491	11	0.32%
Total Employees	<u>118,672</u>		<u>11.93%</u>	<u>85,089</u>		<u>7.92%</u>



# Hope Academy Northcoast Campus Cuyahoga County, Ohio

*Reports Issued Pursuant to  
Government Auditing Standards  
And OMB Circular A-133*

For the Fiscal Year Ended  
June 30, 2013

**Hope Academy Northcoast Campus  
Cuyahoga County, Ohio**

***Reports Issued Pursuant to Government Auditing Standards and OMB Circular A-133***

***June 30, 2013***

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December 31, 2013

To the Board of Directors  
Hope Academy Northcoast Campus  
Cuyahoga County, Ohio  
4310 East 71<sup>st</sup> Street  
Cleveland, OH 44105

**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 the business-type activities of the Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

Medina, Ohio

December 31, 2013

To the Board of Directors  
Hope Academy Northcoast Campus  
Cuyahoga County, Ohio  
4310 East 71<sup>st</sup> Street  
Cleveland, OH 44105

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**Report on Compliance for Each Major Federal Program**

We have audited the Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the "School") 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 School's major federal programs for the year ended June 30, 2013. The School'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 the School'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 School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School 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 School 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 School'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 School'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.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities of the School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated December 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Hea & Associates, Inc.*

Medina, Ohio

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA #	Grant Year	Revenues	Expenses
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010	2013	\$ 269,867	\$ 269,867
Special Education IDEA Part B	84.027	2013	83,126	83,126
Improving Teacher Quality	84.367	2013	3,816	3,816
ARRA -Race to the Top	84.395	2013	59,642	59,642
<i>Total U.S. Department of Education</i>			<u>416,451</u>	<u>416,451</u>
<b>U. S. Department of Agriculture</b>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2013	34,826	34,826
National School Lunch Program	10.555	2013	112,619	112,619
<i>Total Child Nutrition Cluster</i>			<u>147,445</u>	<u>147,445</u>
<i>Total U.S. Department of Agriculture</i>			<u>147,445</u>	<u>147,445</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 563,896</u>	<u>\$ 563,896</u>

The accompanying notes are an integral part of this schedule.



**HOPE ACADEMY NORTHCOAST CAMPUS  
 CUYAHOGA 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 summarizes activity of the School's federal awards programs. This schedule has been prepared using the accrual basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2013, the School had no significant food commodities inventory.

**NOTE C - TRANSFERS**

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2013, ODE authorized the following transfers:

		<u>Transfer To</u>	<u>Transfer From</u>
84.010 Title I Grants	2013	\$ 24,356	
84.010 Title I Grants	2012		\$ 24,356
84.318 Technology Literacy Challenge Fund Grant	2013	677	
84.318 Technology Literacy Challenge Fund Grant	2012		677

**HOPE ACADEMY NORTHCOAST CAMPUS  
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , SECTION .505  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(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 deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was 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 in internal control 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): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

None were noted.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None were noted.

December 31, 2013

To the Board of Directors  
Hope Academy Northcoast Campus  
Cuyahoga County, Ohio  
4310 East 71<sup>st</sup> Street  
Cleveland, OH 44105

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

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 Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the School) 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 adopted its anti-harassment policy at its meeting on September 8, 2010 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 Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio

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# Dave Yost • Auditor of State

**HOPE ACADEMY NORTHCOAST CAMPUS**

**CUYAHOGA 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  
FEBRUARY 11, 2014**