



**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 44229

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy's deficit net assets (\$1,965,051) and operating loss (\$559,252) raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
UNAUDITED*

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The discussion and analysis of the Columbus Humanities Arts & Technology Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Highlights**

The Academy finished its fourth year of operation during fiscal year 2008 serving grades kindergarten through eighth grade. Enrollment varied during the year but averaged 411 students.

Key highlights for fiscal year 2008 are as follows:

- Net assets decreased \$401,636 as compared to \$270,678 in the prior fiscal year.
- Academy had an operating loss of \$559,252 compared to an operating loss of \$496,659 in the prior fiscal year.
- Total assets decreased \$1,258,749 due to the sale of the Academy's modular facility.
- Total liabilities decreased \$857,113 primarily due to the academy using proceeds of modular facility sale to pay down outstanding long term notes. See Note 16 for a description of this transaction.

**Overview of the Financial Statements**

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

**Financial Analysis of the Academy as a Whole**

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

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)*

Table 1 provides a summary of Academy's net assets for 2008 compared to 2007:

Table 1			
Net Assets			
	2008	2007	Change
<u>Assets:</u>			
Current Assets	\$137,887	\$73,886	\$64,001
Capital Assets	64,675	1,387,425	(1,322,750)
<b>Total Assets</b>	<b>202,562</b>	<b>1,461,311</b>	<b>(1,258,749)</b>
<u>Liabilities:</u>			
Current Liabilities	1,569,543	1,807,424	(237,881)
Long-Term Liabilities	598,070	1,217,302	(619,232)
	<b>2,167,613</b>	<b>3,024,727</b>	<b>(857,113)</b>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	9,949	657,550	(647,601)
Restricted for Other Purposes	1,098	14,217	(13,119)
Unrestricted	(1,976,098)	(2,235,182)	259,084
<b>Total Net Assets</b>	<b>(\$1,965,051)</b>	<b>(\$1,563,415)</b>	<b>(\$401,636)</b>

Total net assets decreased \$401,636. The cause of the decrease was the Board's recognition of the need to continue to offer programming that would accelerate learning of underperforming students faster than the traditional single grade level gains. During 2007, the Academy relocated from the temporary modular site to the current permanent site. With that relocation the Academy was able to obtain a facility that is better designed for educating children and had extra capacity, albeit at a higher annual occupancy cost. Until enrollment grows closer to capacity, the Academy will have difficulty with breaking even. The goal of the facility decision was to enhance the learning environment and provide capacity to grow enrollment into the future. Once the growth occurs, the Academy would begin to generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Based on the analysis that was done at the time the decision was made to open the school, the Board and its management have made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to general large economic profits, but rather on a plan that is economically sustainable in the long-run and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary program became available by taking out a long term note from the Academy's management company in December of 2005 and again in June 2007. Additional resources have been made available by delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses and invoices for leasing the Academy's staff.



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)*

Table 2 reflects the changes in net assets for fiscal year 2008 as compared to 2007.

Table 2  
Change in Net Assets

	2008	2007	Change
<u>Operating Revenues:</u>			
Foundation	\$2,718,146	\$2,163,163	\$554,983
Charges for Services	28,625	47,546	(18,921)
Facility Lease	330,070	0	330,070
Miscellaneous Revenues	0	12,700	(12,700)
<u>Non-Operating Revenues:</u>			
Federal/State Restricted Grants	392,883	467,873	(74,990)
Total Revenues	<u>\$3,469,724</u>	<u>\$2,691,282</u>	<u>\$778,442</u>
<u>Operating Expenses:</u>			
Building	643,189	123,603	519,586
Purchased Services	2,614,785	2,150,805	463,980
Depreciation	70,809	64,836	5,973
General Supplies	250,214	256,880	(6,666)
Other Operating Expense	57,096	123,944	(66,848)
<u>Non-Operating Expenses:</u>			
Interest	235,267	241,892	(6,625)
Total Expenses	<u>\$3,871,360</u>	<u>\$2,961,960</u>	<u>\$909,400</u>
Total Increase (Decrease) in Net Assets	<u>(\$401,636)</u>	<u>(\$270,678)</u>	<u>(\$130,958)</u>

Fiscal year 2008 showed an increase in facility rent due to the Academy relocating from its prior modular site to its permanent facility.

**Budgeting**

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

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)*

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2008, the Academy had \$64,675 invested in capital assets (net of accumulated depreciation) for its computers and other equipment, a decrease of \$1,322,750. The following table shows fiscal year 2008 compared to 2007:

Capital Assets at June 30 (Net of Depreciation)

	2008	2007	Change
Building/Improvements	\$8,424	\$1,382,622	(\$1,374,198)
Furniture & Equipment	56,251	4,803	51,448
	\$64,675	\$1,387,425	(\$1,322,750)

The decrease in buildings/improvements represents the depreciation expense for the year and the disposition of the Academy's modulars. See Note 16 regarding the disposal of capital assets. The increase in furniture and equipment was the result of equipment that was purchased. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2008, the Academy had \$608,660 in notes and capital leases outstanding, with \$10,592 being due within one year. The following outstanding table summarized the Academy's debt outstanding as of June 30, 2008.

Outstanding Debt, at Year End

	2008	2007	Change
Capital Leases Payable	\$54,724	\$729,874	(\$675,150)
Installment Note Payable	553,936	1,178,810	(624,874)
Total	\$608,660	\$1,908,684	(\$1,300,024)

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

**Economic Factors**

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

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)*

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**Operations**

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

**Requests for Information**

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

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**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 21,387
Intergovernmental Receivable	98,619
Prepaid Expense	17,881
<b>Total current assets</b>	<u>137,887</u>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	<u>64,675</u>
<b>Total assets</b>	<u><u>202,562</u></u>

**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	110,440
Accounts Payable, Related Party	1,443,969
Accrued Interest	349
Deferred Revenue	4,193
Current Portion of Long-term Debt	10,592
<b>Total current liabilities</b>	<u>1,569,543</u>

***Noncurrent liabilities:***

Noncurrent Portion of Long-term Debt	<u>598,070</u>
<b>Total liabilities</b>	<u><u>2,167,613</u></u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	9,949
Restricted for Other Purposes	1,098
Unrestricted Net Assets	<u>(1,976,098)</u>
<b>Total Net Assets</b>	<u><u>\$ (1,965,051)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Operating Revenues:</b>	
Community School Foundation	\$ 2,718,146
Charges for Services	28,625
Facility Lease	330,070
<b>Total Operating Revenues</b>	<u>3,076,841</u>
<b>Operating Expenses:</b>	
Building	643,189
Purchased Services	2,614,785
Depreciation	70,809
General Supplies	250,214
Other Operating Expenses	57,096
<b>Total Operating Expenses</b>	<u>3,636,093</u>
<b>Operating Loss</b>	<u>(559,252)</u>
<b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	392,883
Interest Expense	(235,267)
<b>Total Nonoperating Revenues and Expenses</b>	<u>157,616</u>
<b>Change in Net Assets</b>	(401,636)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(1,563,415)</u>
<b>Net Assets (Deficit) End of Year</b>	<u><u>\$ (1,965,051)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$ 2,536,187
Charges for Services	28,625
Other Operating Receipts	330,070
Cash Payments to Suppliers for Goods and Services	<u>(2,754,230)</u>
Net Cash Provided by Operating Activities	<u>140,652</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Short-term Financing Payments	(99,953)
Federal and State Grant Receipts	<u>331,985</u>
Net Cash Provided by Noncapital Financing Activities	<u>232,032</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Lease Interest Payments	(36,799)
Capital Lease Principal Retirement	<u>(329,282)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(366,081)</u>

Net Increase in Cash and Cash Equivalents	6,603
Cash and Cash Equivalents - Beginning of the Year	<u>14,784</u>
Cash and Cash Equivalents - Ending of the Year	<u><u>21,387</u></u>

**Reconciliation of Operating Loss to Net Cash Provided by Operating Activities**

Operating Loss	<u>(559,252)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities**

Depreciation	70,809
Changes in assets and liabilities:	
Decrease in Prepaid Expense	3,501
Decrease in Accounts Payable, Trade	(86,540)
Increase in Accounts Payable, Related Party	708,447
Increase in Deferred Revenue	3,687
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 140,652</u></u>

**Noncash capital and related financing activities**

The Academy entered into a capital lease agreement for \$59,726 for the purchase of equipment.

Mosaica Education, Inc. assumed the capital lease of the Academy's buildings, and applied the Academy's accumulated capital lease payments towards \$624,874 of the outstanding principal balance and \$260,552 interest owed on the Mosacia Education Promissory Note. Mosaica Education, Inc assumed the capital lease principal amount of \$404,747. The Academy reported a \$1,311,668 capital asset disposition as a result of this transaction.

**See Accompanying Notes to the Basic Financial Statements**

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**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**Note 1 - Description of the School**

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

The Academy was approved for operation under a contract with Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008. 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. Subsequent to year end, the Academy's contract with Ohio Council of Community Schools was renewed for a five year term set to expire on June 30, 2018.

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**B. Measurement Focus**

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

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

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

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2008.

**F. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2008, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**G. Capital Assets**

The Academy's capital assets during fiscal year 2008 consisted of modular buildings and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. 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.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

<u>Description</u>	<u>Useful Lives</u>
Building and Building Improvements	20-25 years
Furniture, Fixtures, and Equipment	5-20 years

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of net assets reports \$1,098 in restricted net assets related to certain federal grant distributions that had not been fully spent at year end and \$9,949 invested in capital assets, net of related debt.

**I. Operating Revenues and Expenses**

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

**J. Estimates**

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

**K. Economic Dependency**

The Academy receives approximately 90% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**Note 3 – Changes in Accounting Principles**

For fiscal year 2008, the academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures". The implementation of GASB Statement 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (Refer to Note 10) have been modified to conform to the new reporting requirements. The implementation of GASB Statement 48 and GASB Statement 50 did not have effect on the financial statements for the Academy.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 4 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2008, the bank balance of Academy's deposits was \$33,149. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 5 – Receivables**

At June 30, 2008, the Academy had intergovernmental receivables, in the amount of \$98,619. The receivables are expected to be collected within one year.

Grant	Amount
Food Service	\$11,585
Title I	71,715
Title II D	288
IDEA Part B	15,031
Total Intergovernmental Receivables	\$98,619

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Buildings/Improvements	\$1,565,003	\$0	(\$1,556,579)	\$8,424
Furniture & Equipment	11,527	59,726	0	71,253
Less Accumulated Depreciation				
Building/Improvements	(182,381)	(62,530)	244,911	0
Furniture & Equipments	(6,724)	(8,278)	0	(15,002)
Capital Assets, Net	\$1,387,425	(\$11,082)	(\$1,311,668)	\$64,675

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 7 - Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Academy contracted with Pashley Insurance Agency insurance coverage with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Bodily Injury	1,000,000
Buildings	5,000,000
Business Personal Property	578,900
Excess/Umbrella Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000

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

**Note 8 – Purchased Services**

For the fiscal year ended June 30, 2008, purchased service expenses were as follows:

Purchased Services	Amount
Personnel Services	\$1,665,437
Building Services	149,570
Food Service	166,974
Student Services	76,589
Staff and Administrative Services	467,466
Professional Services	19,617
Sponsor Services	54,437
Advertising	14,695
Total	<u><u>\$2,614,785</u></u>

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 9 – Defined Benefit Pension Plans**

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

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. 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 obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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 of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$21,016, \$25,486 and \$28,422 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$135,098, \$101,263 and \$93,082 respectively; 100 percent for fiscal years 2008, 2007 and 2006. The Academy did not make contributions to the DC and Combined Plans for fiscal year 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2008, none of the Academy staff have elected Social Security.

**Note 10 – Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 10 – Postemployment Benefits (Continued)**

**A. School Employees Retirement System (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$9,590, \$7,921, and \$9,187 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2008 was \$1,514; 100 percent has been contributed for fiscal year 2008.

**B. State Teachers Retirement System**

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$10,392, \$7,789, and \$7,160 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**Note 11 - Contingencies**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 11 – 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 community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education in November 2008 reflected the Academy owes \$4,193 back to the Ohio Department of Education. This is reported as a deferred revenue on the June 30, 2008 Statement of Net Assets.

**Note 12 – Building Leases**

The Academy has entered into a lease for the period from July 1, 2007 through June 30, 2022 with EFA Company, LLC a wholly owned subsidiary of Mosaica Education, Inc. for the use of the Academy's building as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 16. Rents for 2007-08 totaled \$643,189. The lease is a triple net lease and base rent is \$59,167 per month.

**Note 13 – Long-Term Obligations**

Changes in the Academy's long-term obligations during fiscal year 2008 were as follows:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amount Due Within One Year
Mosaica Education Promissory Note	\$1,178,810	\$0	(\$624,874)	\$553,936	\$0
Capital Leases Payable	729,874	59,726	(734,876)	54,724	10,592
Long-Term Obligations	<u>\$1,908,684</u>	<u>\$59,726</u>	<u>(\$1,359,750)</u>	<u>\$608,660</u>	<u>\$10,592</u>

Mosaica Education, Inc. Promissory Note- On December 15, 2005, the Academy entered into a promissory note with Mosaica Education, Inc for the outstanding accounts payables. The promissory note has an interest rate of 9.0 percent and will mature in fiscal year 2011. On June 21, 2007 the Academy entered into a second promissory note for outstanding payables that had accumulated subsequent to entering the first note. The promissory note has an interest rate of 9.0 percent and matures in fiscal year 2012. There is no prepayment penalty for either promissory note. See Note 16 for principal and interest payments made at June 30, 2008.

The principal and interest requirements to retire the promissory note with Mosaica Education, Inc. outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30	Promissory Note	
	Principal	Interest
2010	111,382	49,854
2011	185,000	39,830
2012	257,555	23,180
Total	<u>\$553,937</u>	<u>\$112,864</u>

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 14 – Capital Lease-Lessee Disclosure**

The Academy has entered into capitalized leases for the use of computer equipment and furniture. Each lease meets the criteria of capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. Principal retirements in 2008 were \$734,876. See Note 16 regarding the disposal of capital assets at June 30, 2008.

	Amount
Property under Capital Lease	\$71,253
Less Accumulated Depreciation	(15,002)
Total June 30, 2008	\$56,251

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Capital Lease		
Fiscal Year Ending June 30	Principal	Interest
2009	10,592	3,821
2010	11,432	2,981
2011	12,337	2,076
2012	13,316	1,097
2012	7,048	158
Total	\$54,725	\$10,133

**Note 15 – Tax Exempt Status**

The Academy has applied for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Academy has made no provision for any potential tax liability resulting from not obtaining the Section 501(c)(3) tax-exempt status.

**Note 16 – Related Party Transactions/Management Company**

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

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2008 was \$433,715. In addition, upon termination of the agreement due to nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay Mosaica Education, Inc. \$100,000 per year for three consecutive years.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 16 – Related Party Transactions/Management Company (Continued)**

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid to Mosaica Education Inc during fiscal year 2008 were \$1,849,072.

At June 30, 2008, the Academy had payables to Mosaica Education, Inc. in the amount of \$1,443,969.

The following is a schedule of payables to Mosaica Education, Inc.

	<u>Amount</u>
Payroll	\$668,738
Management Fee	220,867
Building and Equipment Rent	363,615
Real Estate Tax Passthru on Facility Lease	46,519
Interest/Finance Charges	64,684
Miscellaneous	<u>79,546</u>
Total June 30, 2008	<u><u>\$1,443,969</u></u>

On June 26, 2008 Mosaica Education Inc. assumed the capital lease of the Academy's 24 modular units and applied the Academy's accumulated capital lease payments towards \$885,425.84 in debt the Academy owed. A reduction of \$624,874 was made to the outstanding principal on the Promissory Note between Mosaica Education Inc. and the Academy, and \$260,552 for interest accrued on the Promissory Note. See Note 13. The remaining portion of the lease in the amount of \$404,746.72 was assumed by Mosaica Education Inc. The Academy reported a \$1,311,668 capital asset disposition as a result of this transaction. See Note 6.

**Note 17 – Sponsor**

The Academy was approved for operation under a contract with the Ohio Council of Community Schools Council (the Sponsor). As part of this contract, the Sponsor is entitled to a maximum of 3% of all revenues. Total amount due and paid for fiscal year 2008 was \$54,437.

**Note 18 – Management's Plan**

For fiscal year 2008, the Academy had an operating loss of (\$559,252), a net loss of (\$401,636), and net asset deficit of (\$1,965,051). Projected revenues and expenses for fiscal year 2009 indicate these financial difficulties will not be alleviated during fiscal year 2009. As of February 28, 2009 the Academy's change in net asset was (424,927) and net asset deficit was (2,389,978).

Final full-time equivalents student enrollment was 411, 343, 338 and 225 students for the fiscal years ending June 30, 2008, 2007, 2006 and 2005, respectively. Current full-time equivalent student enrollment as of February 2009 is 363 students.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 18 – Managements Plan (Continued)**

As of March 27, 2009, the Board of Directors has not approved plans to address these concerns.

Mosaica Education, Inc. plans to continue to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help reduce future deficits and operating losses.



# Mary Taylor, CPA

## Auditor of State

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

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 43229

To the Board of Directors:

We have audited the basic financial statements of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2008, and have issued our report thereon dated March 27, 2009 wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the Academy's management in a separate letter dated March 27, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated March 27, 2009.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

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

**FINDING NUMBER 2008-001**

**Noncompliance**

**Ohio Revised Code § 3314.02(E)** states in part that each new start-up community school established under this chapter shall be under the direction of a governing authority which shall consist of a board of not less five individuals and that no person shall serve on the governing authorities of more than two start-up community schools at the same time.

The Academy only had four individuals participating on the Board of Directors throughout fiscal year 2008. Not only was the number of board members insufficient to be compliant with the above Ohio Revised Code requirement, but was also a violation of the Academy's agreement with its sponsor, which also stipulates that the Academy must maintain a five-member governing board. In addition the Academy's Board of Directors also served as the Board of Directors of the Columbus Arts and Technology Academy, the Columbus Preparatory Academy, and the Cornerstone Academy until December 2007.

We recommend the Academy take steps to secure at least five governing board members that comply with all aspects of Ohio Revised Code § 3314.02(E) to act as the governing authority for the Academy. By establishing the required five-member board, the Academy can gain assurance that it is in compliance with the Ohio Revised Code and sponsorship agreement requirements.

**Officials' Response**

The Academy's Board has recruited sufficient new members to enable it to be in compliance with the minimum number per ORC Section 3314.02(E).

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2007-001	ORC 149.43(B), - Public Records made available, ORC 3314.03 (A) (8)-Sponsor and Governing Authority Contract requires financial records maintained.	N/A	Finding No Longer Valid
2007-002	ORC 149.43(B), - Public Records made available, ORC 3314.03 (A) (8)-Sponsor and Governing Authority Contract requires financial records maintained.	N/A	Finding No Longer Valid
2007-003	ORC 149.43(B), - Public Records made available, ORC 3314.03 (A) (8)-Sponsor and Governing Authority Contract requires financial records maintained.	N/A	Finding No Longer Valid
2007-004	Debt Payments in Accordance with Promissory Note Agreement	Yes	
2007-005	ORC 3314.02 (E) Governing Board Members	No	Not corrected: this finding is being repeated as finding: 2008-001
2007-006	Board Monitoring	No	Partially corrected: this finding is being repeated in the management letter.
2007-007	Payroll Transaction Monitoring	Yes	Partially corrected: this finding is being repeated in the management letter.
2007-008	GAAP Financial Statement Preparation and Reporting	No	Partially corrected: this finding is being repeated in the management letter.
2007-009	Title I, Section 1115 of the Elementary and Secondary Education Act (ESEA) (20 U.S.C. Section 6315)-- Determining student eligibility for Title I	Yes	





**Mary Taylor, CPA**  
Auditor of State

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 7, 2009**