



Mary Taylor, CPA
Auditor of State

**HORIZON SCIENCE ACADEMY - CINCINNATI
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets / Accumulated Deficit– As of June 30, 2009	9
Statement of Revenues, Expenses, and Changes in Net Assets/Accumulated Deficit For the Year Ended June 30, 2009.....	10
Statement of Cash Flows For the Year Ended June 30, 2009.....	11
Notes to the Basic Financial Statements For the Year Ended June 30, 2009.....	13
Independent Accountants' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings.....	29
Schedule of Prior Audit Findings.....	31
Independent Accountants' Report on Applying Agreed Upon Procedures	33

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy-Cincinnati
Hamilton County
1055 Laidlaw Ave
Cincinnati, OH 45237

To the Board of Directors:

We have audited the accompanying basic financial statements of the Horizon Science Academy - Cincinnati, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School'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. The Auditor of State has billed the School approximately \$69,297 for audit services provided for fiscal years ended June 30, 2008, 2007, and 2006 and as of the date of this report, approximately \$34,764 remains unpaid. The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due and seeking payment through the office of budget and management. 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 School, as of June 30, 2009, 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.

As discussed in Note 17 to the financial statements, the School has incurred an operating loss of \$993,233, negative net working capital of \$426,363 and an accumulated deficit of \$221,360. Management's plans regarding these matters are described in Note 17. 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 18, 2010, on our consideration of the School'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.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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 18, 2010

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The discussion and analysis of Horizon Science Academy- Cincinnati, Inc.'s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights:

Key financial highlights for fiscal year 2009 are as follows:

- Total net assets increased by \$22,215
- The School had total operating revenues of \$2,096,517
- The School had total operating expenses of \$3,089,750
- The current liabilities increased by \$85,378
- The School received Federal and State Grants totaling of \$613,952
- Previous year's Net Assets has been adjusted for (\$24,940) due to a decrease in IG receivables

The School had to make an adjustment in last year's Net Assets due to TANF grant for \$24,940. The School was initially approved for the grant in cooperation with YMCA. Later, the School Administration decided not to pursue the grant due to lack of documentation on both sides for afterschool programs. Therefore last year's Net Assets were decreased from (\$218,635) to (\$243,575).

In the fiscal year ended June 30, 2009 the School acquired capital assets worth \$275,502. A big portion of these capital assets came from Federal E-Rate Program. Under the scope of the program, the School was awarded a total of \$142,460 in the form of technological equipment and network installation. The School also signed four capital lease agreements in total of \$81,750 for playground, computers and three copy machines. With a depreciation of \$136,481 for the fiscal year, the Schools net capital assets net of depreciation at the end of the year was \$376,547.

Using this Financial Report:

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2009. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's *net assets* and changes in those assets. This change in net assets is important, because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Table 1 shows the distribution of revenues in Fiscal Year 2009.

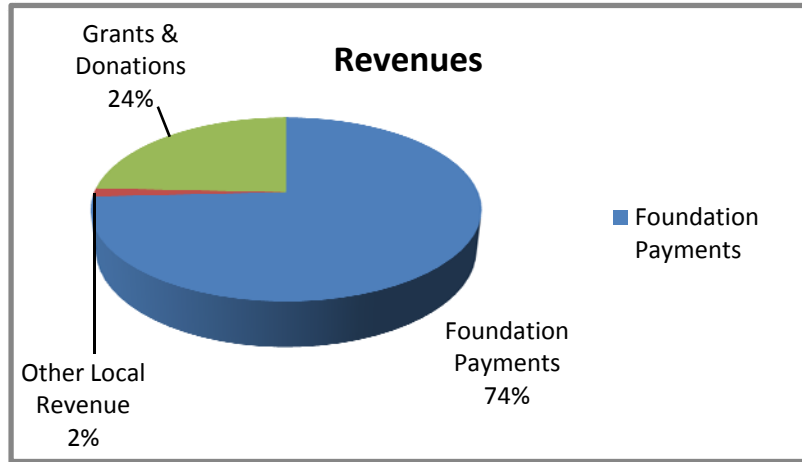


Table 2 shows the distribution of expenses in Fiscal Year 2009.

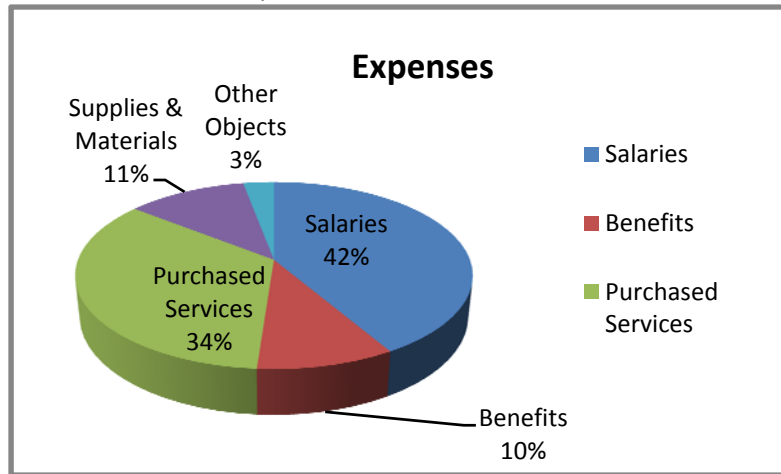


Table 3 shows the Capital Assets net of Accumulated Depreciation.

Capital Assets				
	Balance			Ending
	July 1, 2008	Additions	Deletions	June 30, 2009
Furniture and Equipment	\$ 141,445	\$ 250,502	\$ (19,981)	\$ 371,967
Facility Improvements	\$ 250,348	\$ 25,000	\$ -	\$ 275,348
Total Fixed Assets	\$ 391,793	\$ 275,502	\$ (19,981)	\$ 647,315
Less: Accumulated Depreciation	\$ (149,605)	\$ (136,481)	\$ 15,318	\$ (270,767)
Net Fixed Assets	\$ 242,188	\$ 139,021	\$ (4,663)	\$ 376,547

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Table 4 provides a summary of the School's Net Assets/Accumulated Deficit for fiscal years 2008 and 2009.

	June 30, 2008	June 30, 2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	8,928	26,823
IG Receivable	13,920	2,976
Total Current Assets	22,848	29,799
Non-Current Assets		
Capital Assets (Net of Accumulated Depreciation)	242,188	376,547
Total Assets	265,036	406,346
 LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable	249,215	256,594
Accrued Wages	62,465	124,664
Payroll Liabilities	3,896	3,708
Capital Lease- Current	4,289	13,670
Interest Payable	11,430	13,086
IG Payable	11,032	18,729
Horizon Cleveland Loan -Current	18,267	25,711
Noble Academy- Columbus Loan	10,190	0
Total Current Liabilities	370,784	456,162
Long Term Liabilities		
Concept Schools Loan	33,000	22,500
Breeze Inc. Loan	30,000	30,000
Horizon- Cleveland Loan	70,196	50,706
Capital Leases	4,631	68,338
Total Long-Term Liabilities	137,827	171,544
Total Liabilities	508,611	627,706
 NET ASSETS/ACCUMULATED DEFICIT		
Investment in Capital Assets	226,188	376,547
Unrestricted	(469,763)	(597,907)
Total Net Assets/Accumulated Deficit	\$ (243,575)	(221,360)

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Table 5 provides a comparison of the School's Revenues, Expenses and Change in Net Assets/Accumulated Deficit for fiscal years 2008 and 2009.

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	1,270,462	2,055,649
Extracurricular Activities	4,152	2,051
Other Local Revenue	11,322	38,817
Total Operational Income	1,285,936	2,096,517
Expense		
Salaries	753,451	1,227,778
Benefits	174,638	284,708
Purchased Services	654,931	1,015,543
Supplies & Materials	158,246	338,506
Other Objects	29,830	86,734
Depreciation Expense	92,087	136,481
Total Operational Expense	1,863,183	3,089,750
Net Operational Income	(577,247)	(993,233)
<u>Non-Operational Income/Expense</u>		
Federal Grants	282,201	602,710
State Grants	7,510	11,242
Contributions & Donations	190,783	65,225
Management Fee Forgiveness		141,355
Rent Forgiveness		221,156
Interest on Notes	(8,190)	(21,025)
Loss from Disposal of Assets		(5,215)
Total Non-Operational Expense	472,303	1,015,448
<u>Net Assets/Accumulated Deficit</u>		
Change in Net Assets	(104,944)	22,215
Net Assets at Beginning of Year	(138,631)	(243,575)
Net Assets at End of Year	\$ (243,575)	\$ (221,360)

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

In the Fiscal year, the School's total liabilities increased from \$508,611 to \$627,706 because of the increases in accrued wages and capital leases due to grade level expansion. The School increased its enrolment up to 320 by adding elementary school grades. In 2008 the School's enrollment was only 202. The Change in enrollment was reflected to the School's budget as well. Salaries increased by 62%. Purchased services increased by 55%.

Another factor that caused the purchased services increase was; the School first time recorded management fees since its start in 2005 which was 10% of its foundation revenue. In the fiscal, year the School recorded total management fees of \$207,438; of this amount \$66,083 was paid and rest was forgiven by Concept Schools, the School's management company.

In the fiscal year 2009, the School also received substantial rent forgiveness in total of \$221,156 from its landlord, Breeze Inc. The School also received \$45,000 of donation from New Plan Learning Inc., which is Breeze Inc.'s parent company and a non-profit organization established in order to provide facility development and management for Concept Schools. With the help of management fee and rent write-offs the School recorded a net profit of \$22,215 for the fiscal year. In 2009-2010 school year, the School increased its enrollment to 370 and expects to increase it up to 400 next year.

Contacting the School's Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Begmurad Nepesov, Fiscal Officer, Horizon Science Academy- Cincinnati, Inc. 1055 Laidlaw Ave. Cincinnati, OH 45237.

This page intentionally left blank.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

Statement of Net Assets/Accumulated Deficit

For the Fiscal Year Ended June 30, 2009

ASSETS

Current Assets

Cash and Cash Equivalents	\$26,823
IG Receivable	2,976
Total Current Assets	29,799

Non-Current Assets

Capital Assets (Net of Accumulated Depreciation)	376,547
--	---------

Total Assets	406,346
---------------------	----------------

LIABILITIES & EQUITY

Current Liabilities

Accounts Payable	256,594
Accrued Wages	124,664
Payroll Liabilities	3,708
IG Payable	18,729
Capital Lease- Current	13,670
Interest Payable	13,086
Horizon- Cleveland Loan- Current	25,711

Total Current Liabilities	456,162
----------------------------------	----------------

Long Term Liabilities

Concept Schools Loan	22,500
Breeze Inc. Loan	30,000
Horizon- Cleveland Loan	50,706
Capital Leases- Long Term	68,338

Total Long-Term Liabilities	171,544
------------------------------------	----------------

Total Liabilities	627,706
--------------------------	----------------

NET ASSETS/ACCUMULATED DEFICIT

Investment in Capital Assets	376,547
Unrestricted	(597,907)

Total Net Assets/Accumulated Deficit	\$ (221,360)
---	---------------------

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**Statement of Revenues, Expenses
and Change in Net Assets/Accumulated Deficit
For the Fiscal Year Ended June 30, 2009**

<u>Operational Income/Expense</u>	
Income	
Foundation Payments	\$2,055,649
Extracurricular Activities	2,051
Other Local Revenue	38,817
Total Operational Income	2,096,517
Expense	
Salaries	1,227,778
Benefits	284,708
Purchased Services	1,015,543
Supplies & Materials	338,506
Other Objects	86,734
Depreciation Expense	136,481
Total Operational Expense	3,089,750
Net Operational Income	(993,233)
<u>Non-Operational Income/Expense</u>	
Federal Grants	602,710
State Grants	11,242
Contributions & Donations	65,225
Management Fee Forgiveness	141,355
Rent Forgiveness	221,156
Interest	(21,025)
Loss from Disposal of Assets	(5,215)
Total Non-Operational Expense	1,015,448
<u>Net Assets/Accumulated Deficit</u>	
Change in Net Assets	22,215
Net Assets at Beginning of Year, restated	(243,575)
Net Assets/Accumulated Deficit at End of Year	\$ (221,360)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2009**

Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$2,063,346
Cash Received from Other Operating Revenues	30,868
Cash Payments to Suppliers for Goods and Services	(989,989)
Cash Payments to Employees for Services	(1,165,579)
Cash Payments for Employee Benefits	(284,896)
Other Cash Payments	(86,734)
Net Cash Used for Operating Activities	(432,984)
Cash Flows from Noncapital Financing Activities	
Federal Grants Received	471,193
State Grants Received	11,242
Donations & Contributions	65,225
Proceeds from Notes	35,000
Payments for Notes	(67,736)
Interest Payments	(19,369)
Net Cash Provided by Noncapital Financing Activities:	495,555
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(35,462)
Payments for Capital Leases	(9,214)
Net Cash Used for Capital and Related Activities	(44,676)
Net Increase in Cash and Cash Equivalents	17,895
Cash and Cash Equivalents at Beginning of Year	8,928
Cash and Cash Equivalents at End of Year	\$ 26,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

Statement of Cash Flows
For Fiscal Year Ended June 30, 2009
(Continued)

**Reconciliation of Operating Income to Net Cash Used for
Operating Activities:**

Operating Income	(993,233)
 Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	136,481
Changes in Assets and Liabilities	
Decrease in Accounts Payable	(8,451)
Decrease in Payroll Liabilities	(188)
Increase in Accrued Wages	62,199
Increase in IG Payable	7,697
Increase in Rent Forgiveness	221,156
Increase in Management Fee Forgiveness	141,355
Total Adjustments	560,249
 Net Cash Used for Operating Activities	 \$ (432,984)

Non-cash Items: During the fiscal year ended June 30, 2009, rental lease obligations of \$221,156 and management fees of \$141,355 were forgiven and not included in the cash transactions.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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 qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing November 18, 2004. Later on May 6, 2008 the original contract has been extended until May 30, 2010.

The School operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In FY2009 the School employed 44 full time and part time personnel for up to 320 students.

The Board of Trustees has entered into a management contract with Concept Schools Inc., a not for-profit corporation, for management services and operation of the School. In exchange for its services, Concept Schools receives ten percent of state funds received by the School, see Note 15. The School is associated with other Horizon Science Academies throughout the State.

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 School 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 School does not apply FASB statements issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets/Accumulated Deficit; a Statement of Revenues, Expenses, and Changes in Net Assets/Accumulated Deficit; and a Statement of Cash Flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets/Accumulated Deficit. In accordance with GASB Statement No. 33, after fiscal year 2000, capital contributions from other governments and private sources are recorded as non-operating revenues and reported as retained earnings. The Statement of Revenues, Expenses, and Change in Accumulated Deficit present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets/accumulated deficit.

The accounting and financial reporting treatment is determined by its measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs of its enterprise activities.

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash

To improve cash management, all cash received by the School is pooled in a central bank account. The School did not have any investments during fiscal year 2009.

E. Capital Assets and Depreciation

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

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

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

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, Special Education Program and Parity Aid Program which are reflected under "State Aid". Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and fulltime equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Grants from State and Federal Governments and donations 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.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Statement of Net Assets.

H. Operating Revenues and Expenses

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

I. Compensated Absences

School policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year full time employees are awarded \$50 per each unused sick/personal day.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2009 the School did not have any restricted net assets.

K. 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.

3. DEPOSITS AND INVESTMENTS

On June 30, 2009, the total carrying book balance of the School's bank account at Chase Bank was \$26,823 and the total Bank balance was \$28,347. The bank balance was insured by FDIC up to \$200,000. The School had no investments at June 30, 2009 or during the fiscal year.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

Capital Assets				
	Balance			Ending
	July 1, 2008	Additions	Deletions	June 30, 2009
Furniture and Equipment	141,445	250,502	(19,981)	371,967
Facility Improvements	250,348	25,000	-	275,348
Total Fixed Assets	\$ 391,793	\$ 275,502	\$ (19,981)	\$ 647,315
Less: Accumulated Depreciation	(149,605)	(136,481)	15,318	(270,767)
Net Fixed Assets	\$ 242,188	\$ 139,021	\$ (4,663)	\$ 376,547

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School 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 calling (800) 878 5853, by visiting SERS website at www.ohsers.org or by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School'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 School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$19,848, \$14,921, and \$9,132 respectively; 100 percent has been contributed for fiscal year 2009 and previous fiscal years.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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 a 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. 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, 2009, 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 2008, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$144,448, \$94,936, and \$96,138 respectively; 100 percent has been contributed for fiscal year 2009 and previous fiscal years.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School 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.

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. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800. The School's surcharge for 2009 fiscal year was \$1,562.

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 School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,956, \$4,455, and \$2,166 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 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 School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$940, \$703, and \$430 respectively; 100 percent has been contributed for fiscal year 2009 and previous years.

B. State Teachers Retirement System

Plan Description – 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 or by calling (888) 227-7877.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

6. POSTEMPLOYMENT BENEFITS (Continued)

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 School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,317 \$6,781, and \$6,867 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

7. RISK MANAGEMENT

The School 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 the fiscal year 2009, the School contracted with Indiana Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate with no deductible. There have been no settlements exceeding coverage in the last three years.

The School also pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School did not owe for this premium as of June 30, 2009.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

According to the School Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the School, while the remaining 40% are to be deducted from employee's wages.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2009 were as follows:

Purchased Services	
Type	Amount
Professional Services	327,801.19
Rent and Property Services	606,141.14
Advertising and Communications	58,977.85
Pupil Transportation	19,052.30
Staff Travel Expenses	3,570.16
Total	1,015,542.64

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

10. LONG TERM LIABILITIES

In the previous years the School entered into interest free promissory notes with Concept Schools, the Management Company, Breeze Inc. and several other individuals in order to provide cash flows for operating expenses.

The School also entered into a loan agreement with Horizon Science Academy- Cleveland, a sister school on January 13, 2006 for \$100,000 with an annual interest of 6.5%. According to the note, the School was supposed to make monthly payments of \$5,845, but due to the deficit in the cash flows no payments were made until November 2007. In November 2007 a new agreement was made among the School Boards proposing monthly payments of \$1,956.61 over 60 months. At the end of the fiscal year ending June 30, 2009 the accumulated interest on the loan is \$13,031.

Also, in September 2007, the School entered into a promissory note for \$80,000 with an interest rate of 6.5% with Noble Academy- Columbus, another sister school under Concept Schools management. According to the note, the School was supposed to make eight equal monthly payments of \$10,245.29 between November 2007 and June 2008. The School paid off the remaining balance of \$10,190 fiscal year 2009.

The balances for the above loans and note payables as of June 30, 2009 are as follows:

Due within	Balance as of		Proceeds in	Payments in	Balance as of	
	6/30/2008	FY2009	FY2009	6/30/2009	One Year	
Loan from Concept Sc.	\$ 33,000	-	\$10,500	\$22,500	-	
Loan from Breeze Inc.	\$ 30,000	\$25,000	\$25,000	\$30,000	-	
Personal Loan –						
Begmurad Nepesor	-	\$10,000	\$10,000	-	-	
Note Pay. to HSA- Clev.	\$ 88,464	-	\$12,046	\$76,418	\$25,711	
Note Pay. to Noble-Col.	\$10,190	-	\$10,190	-	-	
Total	\$ 161,654	\$35,000	\$67,736	\$128,918	\$25,711	

Annual debt service requirements to maturity are as follows:

Horizon Science Academy-Cleveland Note Payable

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	25,712	5,594	31,306
2011	20,796	2,683	23,479
2012	22,188	1,291	23,479
2013	7,722	105	7,827
Total	<u>\$76,418</u>	<u>\$ 9,673</u>	<u>\$86,091</u>

An amortization schedule has not been provided for the Concept Schools and Breeze, Inc. loans.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

11. CAPITAL LEASES

During the fiscal year ended June 30, 2009, the School entered into several lease agreements;

In September 2008, the School entered into a lease agreement for 60 months with Comdoc Inc. for two copy machines. At the time of the purchase the total cash value of the copiers was \$23,458. In November 2008, the School purchased 32 computers through a lease agreement with Relational LLC. The cost of the computers was \$20,992. In December 2008 the School entered into a lease agreement for installation of Playground for elementary school. The cost of the Playground was \$25,000. Also in February 2009, the School entered into another lease agreement with Comdoc for a third copy machine. The cash value of the machine was \$12,300.

All the assets acquired by the above lease agreements have been capitalized in the statement of net assets/accumulated deficit in the amount of \$81,750, which is equal to the present value of the minimum lease payments at the time of acquisition. The accumulated depreciation on those capital assets at the end of the fiscal year was \$9,667. A corresponding liability was split between long-term liabilities due within one year and long-term liabilities due in more than one year on the statement of net assets/accumulated deficit.

All the leases meet the criteria of a 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 risks of ownership to the lessee. During the fiscal year principal payments and interest payments totaled \$16,030 and \$10,879 respectively. The following is a schedule of the future minimum lease payments required for the capital leases as of June 30, 2009;

	Total Payment	Interest	Principal
2010	26,969	13,300	13,670
2011	26,969	11,028	15,941
2012	26,969	8,206	18,763
2013	26,969	4,678	22,291
2014	12,093	750	11,342
Total Minimum Lease Payments	\$ 119,969	\$ 37,962	\$ 82,007

12. OPERATING LEASES

On July 1, 2005, the school entered into a lease agreement with Breeze Inc., a sister company to Concept Schools (the Management Company) for the facilities located at 1055 Laidlaw Ave. Cincinnati, OH 45237 for five years. In fiscal year 2009, the monthly rent was \$28,122 with an annual increase of 4%. In the fiscal year ended June 30 2009, a total of \$337,459 incurred as rent payable. Of this amount \$192,000 has been paid during the year and \$221,156 was written-off by Breeze Inc. The remaining rent payable to Breeze Inc. as of June 30 2009 was \$120,000.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

13. CONTINGENCIES

A. Grants

The school 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2009.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for fiscal year 2009 showed the School was overpaid by \$18,729 which is recorded as a liability under intergovernmental payable.

14. SPONSORSHIP AGREEMENT

On July 1, 2004, the School signed a sponsorship agreement with Lucas County Educational Services. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On May 6, 2007 the original contract has been extended until May 30, 2010. According to the contract, the School pays 1% of its foundation revenues to the Sponsor. This rate was increased to 1.5% after July 1, 2009. In fiscal year 2009, the school's compensation to the Sponsor was \$20,633.

15. MANAGEMENT COMPANY AGREEMENT

School contracted with Concepts Schools, Inc. on March 15, 2006 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract the school transfers 10% of the funds received from State. With a revision in September 2009 this rate is increased to 12%. In fiscal year 2009 the School paid a total of \$66,083 in management fees and the remaining amount of \$141,355 has been forgiven by Concept Schools.

16. RELATED PARTY DISCLOSURE

Vedat Akgun / Breeze Inc. / Concept Schools

Mr. Vedat Akgun who was an employee (CEO at some point) of Concept Schools, the Management Company for Horizon Science Academy- Cincinnati filed the articles of corporation for the School with the Ohio Secretary of State. The Management Company contract was signed on January 1, 2005. He also signed the copier lease agreement as the "Founder" of the School. Mr. Akgun also acted as the founder Director of Horizon Science Academy- Dayton from 11/21/2004 to 1/28/2005.

Mr. Vedat Akgun was also the President of Breeze Inc. which is the property manager and landlord of the School's building. The School signed a lease with Breeze Inc. on January 1, 2005. During the audit year, a total of \$341,156 was incurred in rent payables. Of this amount, \$221,156 has been forgiven by Breeze Inc due to improvements made on the building and remaining \$120,000 was recorded under accounts payables. On December 23, 2005 Breeze Inc also loaned \$35,000 to the School. The balance owed at June 30, 2009 was \$30,000.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

16. RELATED PARTY DISCLOSURE (Continued)

Currently, Mr. Akgun only serves at the Board of Concept Schools which is a non-profit organization as the Board President. All shares of Breeze Inc. have been transferred to New Plan Learning Inc. which is also a non-profit organization. All the Board members of New Plan Learning are appointed among the Board Members of Horizon Science Academies.

In October 2008, the School received a donation of \$45,000 from New Plan Learning Inc. which is the owner institution of Breeze Inc.

Concept Schools, the School's Management Company also issued several loans to the School during the fiscal year 2006 in the total of \$57,000 and in fiscal year 2008 for \$50,000. The balance owed at June 30, 2009 was \$22,500. Considering the financial standing of the School, Concept Schools forgave management fees in the fiscal year 2009 in the total of \$141,355.

Onder Secen / Breeze Inc.

Mr. Onder Secen, the original Director of the School (inception through July 2007) was an agent for Breeze Inc. In Domestic/Amendment Restated Articles paperwork for Breeze Inc submitted to Secretary of State, he signed some of the paperwork and was listed as the "Secretary" in one and "statuary agent" in another.

On August 28, 2008 the School received a non-interest, short term loan from Breeze Inc. in the amount of \$25,000. The Loan was paid off on September 11, 2008.

On November 6, 2008, the School received another non-interest, short term, loan from Begmurd Nepesov, the School's Business Manager for \$10,000 in order to overcome the cash flow shortage. The loan was paid off on November 11, 2008.

17. PLANS FOR IMPROVEMENT OF FINANCIAL STANDING OF THE SCHOOL

The School's management plans to increase the enrollment of the School up to 500 students in the following three years. In 2009-2010 school year, the School already increased its enrollment up to 370.

18. JOINTLY GOVERNED ORGANIZATION

The Academy is a participant in the Metropolitan Educational Council (MEC) which is a computer consortium. MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. MEC provides computer services to the Academy.

19. SUBSEQUENT EVENTS

In August 2009, the School took a short term loan of \$25,000 from Horizon Science Academy Columbus Elementary School with an annual interest rate of 7%. The School plans to pay the whole amount off by the end of the fiscal year.

**HORIZON SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

20. ACCOUNTING CHANGE/PRIOR PERIOD ADJUSTMENT

The School had to make an adjustment in last year's Net Assets due to a TANF grant for \$24,940. The School was initially approved for the grant in cooperation with the YMCA. Later the School Administration decided not to pursue the grant due to lack of documentation on both sides for afterschool programs. Therefore last year's Net assets were decreased from (\$218,636) to (\$243,575).

This page intentionally left blank.



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*

Horizon Science Academy-Cincinnati
Hamilton County
1055 Laidlaw Ave
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the basic financial statements of Horizon Science Academy-Cincinnati, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 18, 2010, wherein we noted the School has an operating loss of \$993,233, negative net working capital of \$426,363, an accumulated deficit of \$221,360, and that the School is experiencing significant financial difficulties. We also noted the School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due and seeking payment through the office of budget and management. 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 School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain internal control matters that we reported to the School's management in a separate letter dated March 18, 2010.

Material Noncompliance

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions 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 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 18, 2010.

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

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



Mary Taylor, CPA
Auditor of State

March 18, 2010

**HORIZON SCIENCE ACADEMY-CINCINNATI
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

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

FINDING NUMBER 2009-001

Finding for Recovery Repaid Under Audit

The School collected revenues of \$145 for student consumable fees. Duplicate receipts reveal these fees were collected between May 11, 2009 and May 21, 2009. On May 22, 2009, the school documented \$145 was stolen from a lock box stored in the School Secretary's front desk filing cabinet. A review of the school records revealed that this amount was not deposited. The front desk secretary was responsible to collect money and the Business Manager was responsible for the deposit of monies collected.

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section §117.28, a Finding for Recovery for public money collected, but not accounted for is hereby issued against Tracy Hodges, School Secretary, in the amount of \$145, and in favor of the Horizon Science Academy – Cincinnati School's General Fund for \$145.

The school received \$145 cash in March 2010 as repayment.

Officials' Response:

The stolen fees were refunded to the School and were deposited to the School's account in March 2010.

This page intentionally left blank.

**HORIZON SCIENCE ACADEMY - CINCINNATI
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Finding for Recovery Repaid Under Audit – money illegally expended.	Yes	
2008-002	Finding for Recovery Repaid Under Audit – Money illegally expended	Yes	
2008-003	Ohio Revised Code, Section 3314.03 (B)(5), and AOS Bulletin 2000-005 – numerous errors were noted in the annual financial report which had to be adjusted.	Yes	
2008-004	Article II (FF) of the Contract for Start-Up Ohio Community School - \$80,000 loan was not signed by Noble Academy.	Partially corrected	Reported in the 2009 Management Letter.
2008-005	Ohio Revised Code, Section 3314.03(A)(10), - the School did not always employ licensed teachers.	Yes	
2008-006	Ohio Rev. Code, Section 149.351 (A), records were lost or destroyed and not available for audit.	Yes	
2008-007	Material Weakness - Payment of Bonuses without supporting documentation.	Yes	
2007-008	Adequate supporting documentation was not maintained for all expenditures.	Yes	
2007-009	Operating loss and accumulated deficit.	No	Reported in the 2009 management letter.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Horizon Science Academy-Cincinnati
Hamilton County
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the 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 community school."

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

1. We noted the Board did not adopt an anti-harassment/bullying policy as of June 30, 2009.

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 of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 18, 2010



Mary Taylor, CPA
Auditor of State

HORIZON SCIENCE ACADEMY – CINCINNATI

HAMILTON 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
APRIL 13, 2010**