



Dave Yost • Auditor of State

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hope Learning Academy of Toledo
Lucas County
4234 Monroe Street
Toledo, Ohio 43606

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hope Learning Academy of Toledo, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Hope Learning Academy of Toledo, Lucas County, Ohio, as of June 30, 2014, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Academy's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position and changes in net position. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 31, 2015

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**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The discussion and analysis of the Hope Learning Academy of Toledo's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net cash position was \$38,215 at June 30, 2014.
- The School had operating revenues of \$1,025,878 and operating expenses of \$987,663 for fiscal year 2014.
- The School also received \$0 in non-operating federal grants during fiscal year 2014.
- Total change in net cash position for fiscal year 2014 was an increase of \$38,215, from a beginning balance of \$0 to a balance of \$38,215.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position – cash basis and statement of revenues, expenses and changes in net position – cash basis provide information about the activities of the School.

Reporting the School's Financial Activities

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, "How did the School do financially during 2014?" The statement of net position – cash basis statement of revenues, expenses and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the School's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the School as a whole, the cash basis 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. These statements can be found on pages 8 and 9 of this report.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below provides a summary of the School's net cash position for fiscal years 2014. 2014 was the School's first year of operation. In future years financial information for the current and prior years will be presented.

Net Cash Position

	2014
<u>Assets</u>	
Current assets	<u>\$ 38,215</u>
<u>Net Cash Position</u>	
Unrestricted	<u>\$ 38,215</u>

Over time, net position can serve as a useful indicator of a school's financial position. Total net cash position of the School increased \$38,215, which represents a 100% increase from net cash position at June 30, 2013.

The table below shows the changes in net position for fiscal year 2014.

Change in Net Cash Position

	2014
<u>Operating Revenues</u>	
Foundation payments	\$ 382,632
Contributions	<u>643,246</u>
Total operating revenues	<u>1,025,878</u>
<u>Operating Expenses</u>	
Purchased services	849,012
Materials and supplies	37,933
Capital outlay	55,604
Other	<u>45,114</u>
Total operating expenses	<u>987,663</u>
Change in net cash position	38,215
Net cash position at beginning of year	<u>-</u>
Net cash position at end of year	<u>\$ 38,215</u>

This was the School's initial year so there was no increase or decrease in revenue or expenses. In future years, when prior year information is available, a comparative analysis will be presented.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

The School does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The School does not have any debt obligations outstanding as of June 30, 2014.

Current Financial Related Activities

The School's sponsor is the North Central Ohio Educational Service Center. The School is reliant upon State Foundation monies to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Mandy Gossard France, Treasurer, North Central Ohio Educational Service Center, Marion Campus, 333 East Center Street, Marion, Ohio 43302, or email at mfrance@ncoesc.org.

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**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

STATEMENT OF NET CASH POSITION - CASH BASIS
JUNE 30, 2014

Assets:

Current Assets:

Equity in pooled cash and cash equivalents	\$38,215
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Net Cash Position:

Unrestricted	\$38,215
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See Accompanying Notes to the Basic Financial Statements

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenues	
Foundation Payments	\$382,632
Contributions	643,246
Total Operating Revenues	<u>1,025,878</u>
Operating Expenses:	
Purchased Services	849,012
Materials and supplies	37,933
Capital outlay	55,604
Other	45,114
Total operating exspenses	<u>987,663</u>
Change in net cash position	38,215
Net cash position at beginning of year	-
Net cash position at end of year	<u><u>\$38,215</u></u>

See Accompanying Notes to the Basic Financial Statements

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The HOPE Learning Academy of Toledo (the "Academy") serves as a non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a charter school in the State of Ohio.

In early 2013, the people behind the start-up of HOPE Learning Academy of Toledo, and the North Central Ohio Educational Service Center (Sponsor), entered into a Memorandum of Understanding (MOU) toward establishing a mutual framework governing the respective organizational relationships, responsibilities, activities, and cooperation. The goal was to establish a learning environment for students with learning disabilities to provide a safe and comforting environment while holding to the strict curriculum standards. The Academy, through its Sponsor, is the educational provider of a diverse education program. Its students are actively involved in learning activities as individual staff and faculty offer areas of expertise to meet the individual needs of each student in learning at the highest academic level.

The Academy was approved for operation under contract with the Sponsor for the period of five years commencing on July 1, 2013 and ending on June 30, 2018. 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.

The Academy operates under the direction of a five member Board of Directors that serves on a volunteer-basis. The Board of Directors 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Accounting

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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 Section 5705, except under Ohio Revised Code Section 5705.39, the Academy must prepare a five-year spending plan and submit it to the Ohio Superintendent of Public Instruction.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds.

E. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Inventory and Prepaid Items

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Operating Revenues and Expenses

Operating revenues are those receipts 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.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the Academy. Foundation payments for the fiscal year 2014 amounted to \$382,632.

Contributions, grants and entitlements are recognized as non-operating revenues in the accounting period in which they are received. During 2014, the Academy received \$643,246 in contributions, grants and entitlements during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the Academy GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, Net Position/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

At June 30, 2014, the carrying amount of the Academy's deposits was \$38,215. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$0 of the Academy's bank balance was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation. Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 5 - 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 contracted personnel; and natural disasters. The Academy has purchased a comprehensive property, casualty and liability insurance policy through First Insurance Group, with the following coverages:

Per occurrence	\$	1,000,000
Aggregate		2,000,000
Umbrella Liability		2,000,000

NOTE 6 - MANAGEMENT AGREEMENT

The Academy entered into a contract effective August 1, 2013 with the North Central Ohio Educational Service Center (Sponsor) for educational and financial management services. The Academy paid the Sponsor \$818,812 for services provided during fiscal year 2014. Terms of the contract require the Sponsor to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the Academy;
- B. Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the Academy principal, all instructional personnel, and support staff;
- D. Some aspects of the business administration of the Academy;
- E. Reports on Academy operations, finances, and students' performances, upon request;
- F. A projected annual budget prior to each fiscal year;

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 6 - MANAGEMENT AGREEMENT - (Continued)

- G. Detailed statements of all revenues received, from whatever source, and detailed statements of all expenses for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request; and
- H. Any other function necessary or expedient for the administration of the Academy.

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2014, expenses for purchased services were as follows:

Professional and technical services	\$	849,012
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NOTE 8 - RENTAL AGREEMENT

The Academy entered into Lease agreement with Fox Investments of Ohio LLC and its Sponsor beginning August 1, 2013 through July 30, 2018, to provide class space (rent), restrooms, lunch/vending area, conference space, lawn service, snow removal, and utilities. Fox provided these for fiscal year 2014 including rent and utilities. See Note 11 for detail on in-kind contributions.

NOTE 9 - FISCAL AGENT AND ADMINISTRATIVE SERVICES

The Academy utilizes the services of the North Central Ohio Educational Service Center for a variety of services including its Community School Treasurer as the Academy's fiscal officer. The Academy does not directly pay the Treasurer or other individuals; however, it does reimburse the North Central Ohio Educational Service Center for the services.

NOTE 10 - CONTINGENCIES

A. Grants

The Academy receives 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. 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, 2014.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy's review for fiscal year 2014 resulted in the Academy receiving an additional \$6,552 in funding that will be received in fiscal year 2015.

**HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 10 – CONTINGENCIES – (Continued)

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

NOTE 11 - RELATED PARTY TRANSACTIONS

During fiscal year 2014, the Academy received in-kind contributions from Fox providing classroom space, restrooms, lunch/vending area, conference space, lawn and snow removal service and utilities. All in-kind contributions totaled \$78,673.

Below are the amounts contributed to the Academy by Fox:

Rent	\$ 60,000
Snow- Lawn	4,660
Utilities	<u>14,013</u>
Total	<u>\$ 78,673</u>

The Academy's landlord is Fox Investments of Ohio, LLC, an Ohio limited liability Company. As shown above, Fox has donated various in-kind services to the Academy. The Academy's Superintendent, Daniel J. LaValley is one of the managers of Fox, and the membership in Fox is entirely owned by his extended LaValley family.

During fiscal year 2014, the Academy received donations from The LaValley Family Foundation for both operating needs as well as specific purchase needs such as computers. The Academy Superintendent, Daniel J. LaValley is a Trustee member of The LaValley Family Foundation, a private Ohio foundation created by his Mother and Father.

The law firm of LaValley, LaValley Todak & Schaefer, Co. L.P.A. is available to assist the Academy and provide legal services. The law firm did not bill nor receive any fees from the Academy for the year ending 2014. The Academy Superintendent, Daniel J. LaValley is a shareholder/partner in this Law firm.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hope Learning Academy of Toledo
Lucas County
4234 Monroe Street
Toledo, Ohio 43604

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Hope Learning Academy of Toledo, Lucas County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 31, 2015 wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 31, 2015

HOPE LEARNING ACADEMY OF TOLEDO
LUCAS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014

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

FINDING NUMBER 2014-001

Noncompliance

Filing of Annual Financial Report

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin Code § 117-2-03 (B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For fiscal year 2014, the Academy prepared financial statements that were formatted similarly to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. However, this presentation differs from accounting principles generally accepted in the United States of America (GAAP) as required by law. There would be variances on the financial statements between the Academy's accounting practices and GAAP, while presumably material, cannot be reasonably determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

We recommend the Academy take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

The Academy acknowledges the Ohio requirement for GAAP filing. The economic pressures in providing the best possible education to its students and their families precluded the exorbitant expense of an accounting firm to comply in this the Academy's initial school year.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hope Learning Academy of Toledo
Lucas County
4234 Monroe Street
Toledo, Ohio 43604

To the Board of Directors:

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

Accordingly, we have performed the procedures enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Hope Learning Academy of Toledo, Lucas County, Ohio (the Academy) 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 procedure 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 adopted an anti-harassment policy at its meeting on October 22, 2013.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (10) A requirement that the school administration semiannually provide the president of the board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We noted the Board policy included violence within a dating relationship within its definition of harassment, intimidation or bullying.
 4. We noted the Board policy included prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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



Dave Yost
Auditor of State

March 31, 2015



Dave Yost • Auditor of State

HOPE LEARNING ACADEMY OF TOLEDO

LUCAS 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 14, 2015