

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

(AUDITED)

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2013*

ROBERT LOTZ, TREASURER



Dave Yost • Auditor of State

Board of Directors
Academy of Columbus
4656 Heaton Road
Columbus, Ohio 43229

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

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

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

Dave Yost
Auditor of State

January 28, 2014

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**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements	10 - 23
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards.....	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25 - 26
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	27 - 28
Schedule of Findings <i>OMB Circular A-133 § .505</i>	29



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Academy of Columbus
Franklin County
4656 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Academy of Columbus, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy of Columbus'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 accounting principles generally accepted in the United States of America; this includes 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 of Columbus'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 of Columbus'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 financial position of the Academy of Columbus, Franklin County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Board of Directors
Academy of Columbus
Page Two

Emphasis of Matter

As discussed in Note 17, the Board of Directors decided to cease operations of the Academy effective July 15, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Academy of Columbus's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Academy of Columbus'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 of Columbus's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 16, 2013

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The management's discussion and analysis of the Academy of Columbus' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position was \$56,510 at June 30, 2013.
- The Academy had operating revenues of \$2,278,373, operating expenses of \$2,922,359 and non-operating revenues of \$678,840 for fiscal year 2013. Total change in net position for the fiscal year was an increase of \$34,854.

Using these 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 Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy 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 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below provides a summary of the Academy's net position for fiscal year 2013 and 2012.

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 74,934	\$ 110,532
Total assets	<u>74,934</u>	<u>110,532</u>
<u>Liabilities</u>		
Current liabilities	<u>18,424</u>	<u>88,876</u>
Total liabilities	<u>18,424</u>	<u>88,876</u>
<u>Net Position</u>		
Unrestricted	<u>56,510</u>	<u>21,656</u>
Total net position	<u>\$ 56,510</u>	<u>\$ 21,656</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013 and June 30, 2012, the Academy's net position totaled a positive balance of \$56,510 and \$21,656, respectively.

The Academy had no capital assets to report in fiscal years 2013 or 2012. This is a result of Imagine Schools, Inc. providing all of the furniture and equipment as part of its management agreement.

Current assets represent cash and intergovernmental receivables. The Academy reported intergovernmental receivables for grants at June 30, 2013 and 2012 in the amount of \$17,171 and \$63,139, respectively.

Current liabilities of \$18,424 and \$88,876, represent accounts payable and intergovernmental payables for professional services at June 30, 2013 and June 30, 2012, respectively. Included in current liabilities at June 30, 2012 is an intergovernmental payable in the amount of \$16,662 due to the Ohio Department of Education as a result of the fiscal year 2012 full-time equivalency (FTE) review. The fiscal year 2013 FTE review has not been completed as of the date of this report.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below shows the changes in net position for fiscal year 2013 and 2012.

Change in Net Position

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
Sales	\$ 3,424	\$ 6,248
State foundation	<u>2,274,949</u>	<u>2,065,241</u>
Total operating revenue	<u>2,278,373</u>	<u>2,071,489</u>
<u>Operating Expenses:</u>		
Purchased services	2,914,771	2,668,152
Other	<u>7,588</u>	<u>8,207</u>
Total operating expenses	<u>2,922,359</u>	<u>2,676,359</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	671,475	593,618
Other non-operating revenues	<u>7,365</u>	<u>-</u>
Total non-operating revenues	<u>678,840</u>	<u>593,618</u>
Change in net position	34,854	(11,252)
Net position at beginning of year	<u>21,656</u>	<u>32,908</u>
Net position at end of year	<u>\$ 56,510</u>	<u>\$ 21,656</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from Federal entitlement programs. The School received Federal grant monies through the School Lunch, Lunchroom Computers, IDEA Part B Special Education, Title II-A, School Improvement, Title I, and Title III programs during fiscal year 2013. The School received its first payment of \$7,365 in tax revenue from casino profits in January 2013, which is reported as other non-operating revenue.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Current Financial Related Activities

Effective July 15, 2013, the Academy ceased operations (see Note 17 to the basic financial statements for detail). The Academy was reliant upon State Foundation monies and Federal grants to provide a scientifically based curriculum to students.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Buckeye Community Hope Foundation, 3021 E. Dublin-Granville Rd, Suite 200, Columbus, Ohio 43231.

**BASIC
FINANCIAL STATEMENTS**

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash	\$ 57,763
Receivables:	
Intergovernmental	<u>17,171</u>
Total assets.	<u>74,934</u>
Liabilities:	
Current liabilities:	
Accounts payable	<u>18,424</u>
Total liabilities	<u>18,424</u>
Net position:	
Unrestricted.	<u>56,510</u>
Total net position.	<u><u>\$ 56,510</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

Operating revenues:	
Sales	\$ 3,424
State foundation	2,274,949
Total operating revenues	<u>2,278,373</u>
 Operating expenses:	
Purchased services.	2,914,771
Other.	7,588
Total operating expenses	<u>2,922,359</u>
 Operating loss	 <u>(643,986)</u>
 Non-operating revenues:	
Federal and State grants.	671,475
Other non-operating revenue	7,365
Total nonoperating revenues.	<u>678,840</u>
 Change in net position.	 34,854
 Net position at beginning of year	 <u>21,656</u>
 Net position at end of year	 <u>\$ 56,510</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from sales.	\$ 3,424
Cash received from State foundation.	2,258,287
Cash payments for contractual services	(2,946,881)
Cash payments for other expenses	<u>(7,588)</u>
Net cash used in operating activities	<u>(692,758)</u>
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants.	718,124
Cash received from other non-operating revenue.	<u>6,684</u>
Net cash provided by noncapital financing activities.	<u>724,808</u>
Net increase in cash	32,050
Cash at beginning of year	<u>25,713</u>
Cash at end of year	<u><u>\$ 57,763</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (643,986)
Changes in assets and liabilities:	
Decrease in accounts receivable.	14,996
Decrease in intergovernmental receivable.	6,684
(Decrease) in accounts payable	(22,689)
(Decrease) in intergovernmental payable	<u>(47,763)</u>
Net cash used in operating activities	<u><u>\$ (692,758)</u></u>

The Academy reported intergovernmental receivables in the amount of \$17,171 and \$63,139 at June 30, 2013 and June 30, 2012, respectively, for non-operating grants.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The Academy of Columbus (the “Academy”) is a state nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide a scientifically based curriculum, known as Direct Instruction, for grades K-8. The Academy, which is part of the State’s education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy contracts with Imagine Schools, Inc. for most functions. See Note 7 for detail.

The Academy signed a contract with its Sponsor, Ohio Council of Community Schools, to operate for the period of July 1, 2005 through June 30, 2010. The contract with the Ohio Council of Community Schools was renewed annually for fiscal years 2011 and 2012. On May 21, 2012, the Academy signed a contract with a new sponsor, Buckeye Community Hope Foundation, to operate for the period of July 1, 2012 through June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Academy ceased operations effective July 15, 2013 (see Note 17 to the basic financial statements for detail).

The Academy operates under the direction of the Board of Directors which shall consist of not less than five members. The Academy’s Code of Regulations specify that vacancies that arise on the Board of Directors will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board of Directors is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Academy began operations in August 2005 and has one leased instructional/support facility. The facility is staffed with teaching personnel employed by Imagine Schools, Inc., who provide services to 338 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

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

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 are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases and decreases in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy received 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. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

D. Cash

All cash received by the Academy is maintained in a demand deposit account. For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are presented on the financial statements as cash equivalents. The Academy did not have any investments during fiscal year 2013.

E. Capital Assets

The Academy operates under a management agreement with Imagine Schools, Inc., and as such, the Academy has no capital assets (See Note 7).

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Special Education Program, and the Parity Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under the above programs for the 2013 school year totaled \$2,274,949.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

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

Grants and entitlements 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. The Academy received \$671,475 in State and Federal grants during fiscal year 2013.

G. Operating Revenues and Expenses

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

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

I. Accrued Liabilities and Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net position.

J. Use of Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had no effect on the financial statements of the Academy.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2013, the carrying amount of the Academy's deposits and the bank balance was \$57,763. Of the bank balance, all was covered by the Federal Depository Insurance Corp. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 5 - RECEIVABLES/PAYABLES

Receivables at June 30, 2013, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
Federal lunch program	\$ 278
Title VI-B	9,400
Title I School Improvement	726
Title I	<u>6,767</u>
Total intergovernmental receivables	<u>\$ 17,171</u>

Under the terms of the operating contract with Imagine Schools, Inc. (See Note 7 for detail), the Academy has recorded accounts payable to Imagine Schools, Inc. in the amount of \$17,171, for 100 percent of any State and Federal grant monies uncollected or unpaid as of June 30, 2013.

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its agreement with Imagine Schools, Inc., during fiscal year 2013, Imagine Schools, Inc. has contracted for the following general liability, automobile liability, excess/umbrella liability, and personal property liability through Philadelphia Indemnity Insurance Co.; and workers compensation and employers' liability through Twin City Fire Insurance Co.:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Products	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Automobile liability - combined single limit	\$1,000,000
Excess/umbrella liability:	
Each occurrence	15,000,000
Aggregate	15,000,000
Retention	10,000

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 6 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Limits of Coverage</u>
Personal property liability:	
Limit	\$500,000
Deductible/coinsurance	5,000
Coinsurance	90%
Workers compensation and employers' liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000

Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

Imagine Schools, Inc. is responsible for paying the State Workers' Compensation System a premium for employee injury coverage.

NOTE 7 - AGREEMENT WITH IMAGINE SCHOOLS, INC.

Effective April 25, 2005, the Academy entered into a Management Agreement (the "Agreement") with Imagine Schools, Inc., which is an educational consulting and management company. Imagine Schools, Inc. is responsible and accountable to the Governing Board for the administration, operation and performance of the Academy in accordance with the Academy's contract with the Sponsor to operate the Academy. The Academy had purchased service expenses for the year ended June 30, 2013 to Imagine Schools, Inc. in the amount of \$2,803,435. Significant provisions of the Agreement are as follows:

Management, Consulting, and Operation Fee - The Academy is required to pay Imagine Schools, Inc. a monthly continuing fee of all of the Academy's "Revenues", defined in the Agreement as "...all revenue...shall not include Other Funds, Start up Advances, or Operating Advances..." and "shall be deposited within 3 business days or receipt into a Charter School Operating Account established by Imagine Schools, Inc.".

Other Academy Financial Responsibilities - The Academy is responsible for its directors' and officers' insurance, legal fees for Academy Board representation and general corporate matters, accounting, audit, tax and consulting fees for the Academy, and other miscellaneous expenses not incurred in the normal day-to-day operation of the Academy.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 7 - AGREEMENT WITH IMAGINE SCHOOLS, INC. - (Continued)

Imagine Schools, Inc. Financial Responsibilities - Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the Academy are to be paid by Imagine Schools, Inc. Such costs include, but are not limited to, salaries and benefits for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. All personal property used in the operation of the Academy is the property of Imagine Schools, Inc., unless purchased directly by the Academy with federal funds.

Imagine Schools, Inc. is required to maintain, at Imagine Schools, Inc.'s expense, commercial general liability insurance in the name of the Academy in an amount not less than \$1 million per occurrence and \$2 million in the aggregate, plus an excess or umbrella policy extending coverage as broad as the primary coverage in an amount no less than \$5 million.

Personnel - Imagine Schools, Inc. has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the contract.

Compensation and benefits of all employees of the Academy is paid by Imagine Schools, Inc. If Imagine Schools, Inc. fails to pay this compensation, the Academy, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to Imagine Schools, Inc. under the Agreement.

Termination by the Academy - The Academy may terminate the Agreement in the event Imagine Schools, Inc. materially breaches the Agreement of the Contract and Imagine Schools, Inc. does not cure the material breach within 30 days of its receipt of written notice from the Academy, unless the breach cannot be reasonably cured within 30 days, in which case Imagine Schools, Inc. shall promptly undertake and continue efforts to cure the material breach within a reasonable time.

Termination by Imagine Schools, Inc. - Imagine Schools, Inc. may, at its option, terminate the Agreement upon the occurrence of certain events as defined in the Agreement.

The Agreement with Imagine Schools, Inc. was terminated effective June 30, 2013 due to the decision by the Governing Board to cease operations of the Academy effective July 15, 2013 (see Note 17 for detail).

NOTE 8 - SERVICE CONTRACT

The Academy entered into a service contract for a period of twelve months, commencing on July 1, 2012 and ending on June 30, 2013, with Charter School Specialists, LLC (CSS) to provide fiscal services. The Academy paid CSS \$20,372 during fiscal year 2013 for these services.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 9 - RELATED PARTY TRANSACTIONS

Article V, Section K of the Charter School Operating Agreement states that if, at fiscal year end, the Academy has insufficient funds to meet reimbursement obligations to Imagine Schools, Inc., Imagine Schools, Inc. will forgive unreimbursed start-up and operating advances and consider such advances as contributions. These contributions have been reflected in the financial statements as in-kind contributions and professional services. For the fiscal year ended June 30, 2013, there were no related party transactions to report.

NOTE 10 - PENSION PLANS

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

A. School Employees Retirement System

Plan Description - Imagine Schools, Inc., on behalf of the Academy, contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$19,639, \$25,483 and \$25,002, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 10 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - Imagine Schools, Inc., on behalf of the Academy, 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 website at www.strsoh.org, under "Publications".

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$88,608, \$72,490 and \$104,319, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$21,661 made by the Academy and \$15,472 made by the plan members.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - Imagine Schools, Inc., on behalf of the Academy, participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$240, \$1,104, and \$3,027, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,109, \$1,505 and \$1,609, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - Imagine Schools, Inc., on behalf of the Academy, contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$6,816, \$5,576 and \$8,025, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2013, Imagine Schools, Inc. and its affiliates incurred the following expenses, which are reported on cash-basis, on behalf of the Academy:

<u>Expenses</u>	<u>2013</u>
Direct Expenses:	
Salaries and wages	\$ 949,758
Employees' benefits	319,478
Purchased services	1,190,002
Supplies and materials	49,510
Other direct costs	10,545
Indirect expenses	<u>272,219</u>
Total expenses	<u>\$ 2,791,512</u>

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

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 13 - PURCHASED SERVICES EXPENSES

For fiscal year 2013, purchased services expenses were as follows:

Purchased services expenses:	
Management fees	\$ 2,803,435
Sponsorship fees	67,749
Legal	20,122
Professional and fiscal services	<u>23,465</u>
Total	<u>\$ 2,914,771</u>

NOTE 14 - OPERATING LEASE

The Academy entered into a lease agreement on April 25, 2005, with Schoolhouse Finance, LLC to lease classroom space for the Academy. The term of the lease commenced August 1, 2005, and shall continue through June 30, 2020. On July 1 of each lease year, the expiration date of the agreement shall automatically be extended for an additional year, unless written notice of intent not to extend is delivered by either party at least ninety days prior to the end of the lease year. Imagine Schools, Inc., on the Academy's behalf, shall pay to Schoolhouse Finance, LLC \$586,000 in annual base rent payable in advance in monthly installments of one-twelfth each on the fifth day of each month of the term. The base rent shall escalate annually on July 1 at a rate equal to the greater of the Consumer Price Index increase for the immediately preceding calendar year as report by the Bureau of Labor Statistics or three percent.

The operating lease agreement with Schoolhouse Finance, LLC, was terminated effective June 30, 2013, due to the termination of the School's charter and operating agreement with Imagine Schools, Inc. (see Note 17 for detail).

NOTE 15 - FEDERAL TAX STATUS

The Academy was approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization on June 25, 2009. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

NOTE 16 - CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure 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, 2013.

B. Litigation

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

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 16 - CONTINGENCIES - (Continued)

C. State Foundation Funding

The Ohio Department of Education (ODE) 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 fiscal year 2013 review has not been completed as of the date of this report; however, the Academy does not anticipate a material impact on the financial statements as a result of the review.

NOTE 17 - SUBSEQUENT EVENTS

A. Ceased Operations

The Governing Board decided to cease operations of the Academy effective July 15, 2013.

B. Post-Closing Services Agreement and Mutual Release

The Academy entered into a post-closing services agreement and mutual release with Imagine Schools, Inc. effective July 1, 2013. The Academy received the last State foundation payment from ODE on June 12, 2013, and does not expect to receive any additional funding to cover operating expenses. The Academy owes Imagine Schools, Inc. amounts under the operating agreement which may exceed the value of the remaining assets of the Academy. The agreement allows for Imagine Schools, Inc. to provide services in connection with certain outstanding closure tasks and dissolution of the Academy. The agreement shall be effective as of July 1, 2013, and shall continue until the earlier of June 30, 2014, or the date of dissolution of the Academy, but in no event later than 30 days following the public release of the school audit for fiscal year 2013.

The agreement acknowledges that the Academy and Imagine Schools, Inc. agree that the operating agreement with Imagine Schools, Inc. and the operating lease with Schoolhouse Finance, LLC, were terminated effective June 30, 2013.

Imagine Schools, Inc. agrees to pay on-behalf of the Academy all reasonable expenses of the Governing Board arising from the closure and dissolution of the Academy, including, but not limited to, Director and Officers insurance premiums, and legal, accounting, auditing, and professional fees incurred by the Governing Board in connection with the compliance of the closing guidance. The obligation by Imagine Schools, Inc. to pay Governing Board expenses shall be limited to a maximum amount of \$50,000. The Governing Board will cooperate with Imagine Schools, Inc. and furnish all information, submitting all reports and taking such actions as may be required with the closing guidance.

Upon execution of the agreement, the Academy is to pay to Imagine Schools, Inc. all remaining funds residing in any Board account and assign to Imagine Schools, Inc. its interest in any receivables currently outstanding or that may be generated during the term of the agreement.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

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

NOTE 17 - SUBSEQUENT EVENTS - (Continued)

- C. The Academy has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and the community, disposition of assets and the preparation of financial statements.

Total expenditures and cash receipts subsequent to fiscal year end through the report date were as follows:

Cash balance at June 30, 2013	\$	57,763
Cash receipts:		
Federal and state grants		17,171
Casino revenue		<u>8,752</u>
Total cash receipts		<u>25,923</u>
Cash disbursements:		
Professional services		8,200
Management fees - payments to Imagine		17,171
Other		9,530
Legal fees		<u>6,049</u>
Total cash disbursements		<u>40,950</u>
Cash balance	\$	<u>42,736</u>

This balance less \$100, per the agreement with Imagine Schools, Inc., will be transferred to Imagine Schools, Inc. The bank account will remain at \$100 to facilitate expected receipts and payments to the Ohio Department of Education (ODE) in regards to the final expenditures report. Future receipts are expected to be \$8,392; future payments are expected to be \$4,535 and any remaining subsequent balance will be transferred to Imagine Schools, Inc. per the agreement and will resolve Academy of Columbus from any future liabilities.

Expected future receipts/payment:		
Federal and state grants	\$	8,392
ODE repayment		(4,535)

In addition to above, audit and compilation, and attorney fees due will be paid by Imagine Schools, Inc.

SUPPLEMENTARY DATA

ACADEMY OF COLUMBUS
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(D) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster:				
(B)(C) School Breakfast Program	10.553	2013	\$ 69,680	\$ 69,680
(B)(C) National School Lunch Program	10.555	2013	125,614	125,614
Total U.S. Department of Agriculture and Child Nutrition Clustet			195,294	195,294
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Title I School Improvement	84.010	2012	4,850	4,850
Title I School Improvement	84.010	2013	106,794	106,794
Title I Grants to Local Educational Agencies	84.010	2012	21,312	21,312
Title I Grants to Local Educational Agencies	84.010	2013	274,219	274,219
Total Title I Grants to Local Educational Agencies			407,175	407,175
Special Education_Grants to States	84.027	2012	1,983	1,983
Special Education_Grants to States	84.027	2013	55,318	55,318
Total Special Education _Grants to States			57,301	57,301
English Language Acquisition Grants	84.365	2013	10,528	10,528
Improving Teacher Quality State Grants	84.367	2012	3,893	3,893
Improving Teacher Quality State Grants	84.367	2013	5,007	5,007
Total Improving Teacher Quality State Grants			8,900	8,900
Education Jobs Grant	84.410	2012	31,101	31,101
Total U.S. Department of Education			515,005	515,005
Total Federal Financial Assistance			\$ 710,299	\$ 710,299

Notes to the Schedule of Receipts and Expenditures of Federal Awards:

- (A) This schedule was prepared on the cash basis of accounting.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (C) Included as part of "Child Nutrition Cluster" in determining major programs.
- (D) OAKS did not assign pass-through number for fiscal year 2013.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based Required by *Government Auditing Standards***

Academy of Columbus
Franklin County
4656 Heaton Road
Columbus, Ohio 43229

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 Academy of Columbus, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy of Columbus's basic financial statements and have issued our report thereon dated December 16, 2013, wherein we noted on July 15, 2013 the Academy ceased operations, as discussed in Note 17.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy of Columbus'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 of Columbus'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 Academy of Columbus'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.

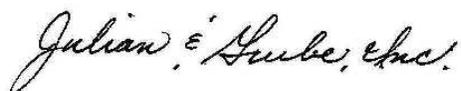
Board of Directors
Academy of Columbus

Compliance and Other Matters

As part of reasonably assuring whether the Academy of Columbus'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 16, 2013



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Academy of Columbus
Franklin County
4656 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Academy of Columbus's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy of Columbus's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy of Columbus's major federal program.

Management's Responsibility

The Academy of Columbus's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy of Columbus's compliance for each of the Academy of Columbus's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy of Columbus's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy of Columbus's major program. However, our audit does not provide a legal determination of the Academy of Columbus's compliance.

Opinion on the Major Federal Program

In our opinion, the Academy of Columbus complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Board of Directors
Academy of Columbus

Report on Internal Control Over Compliance

The Academy of Columbus's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy of Columbus's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy of Columbus's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 16, 2013

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes
2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Dave Yost • Auditor of State

ACADEMY OF COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2014**