

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2014**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Believe to Achieve-Canton
101 Cleveland Avenue
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Believe to Achieve-Canton, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Believe to Achieve-Canton is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 10, 2015

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**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Believe to Achieve, Canton
101 Cleveland Avenue, NW
Canton, Ohio 44702

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Believe to Achieve, Canton, Stark County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Believe to Achieve, Canton, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Believe to Achieve, Canton, Ohio, as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, the School closed on June 30, 2014. 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 that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of Believe to Achieve, Canton, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Believe to Achieve, Canton, Ohio's internal control over financial reporting and compliance.

James G.
Zupka, CPA,
President

Digitally signed by James G. Zupka,
CPA, President
DN: cn=James G. Zupka, CPA,
President, o=James G. Zupka, CPA,
Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.29 15:49:27 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 25, 2014

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

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

The discussion and analysis of the Believe to Achieve, Canton (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 basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2013-14 fiscal year are as follows:

- Total assets increased by \$11,693.
- Total liabilities increased by \$391,488.
- Total net position balance decreased by (\$379,795).
- Total operating and non-operating revenues were \$2,524,968. Total operating expenses were \$2,904,763.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

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

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during fiscal year 2014. This statement includes all assets and liabilities, both financial and capital, and short-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies.

Table 1 provides a summary of the School's net position for fiscal year 2014 and 2013.

**Table 1
Statement of Net Position**

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 172,117	\$ 72,366
Capital Assets, Net of Accumulated Depreciation	<u>209,091</u>	<u>297,149</u>
Total Assets	<u><u>381,208</u></u>	<u><u>369,515</u></u>
Liabilities		
Current Liabilities	<u>856,512</u>	<u>465,024</u>
Total Liabilities	856,512	465,024
Net Position		
Net Investment in Capital Assets	209,091	297,149
Unrestricted	<u>(684,395)</u>	<u>(392,658)</u>
Total Net Position	<u><u>\$ (475,304)</u></u>	<u><u>\$ (95,509)</u></u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$(475,304).

Current assets represent cash, accounts receivable and intergovernmental receivables. Current liabilities represent accounts payable, accrued expenses and notes payable to the management company at fiscal year-end. Current liabilities increased \$391,488 or 84% as the School's payables to the management company increased from 2013.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

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

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2014 and 2013, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth from per-pupil funding, facility conditions, changes in technology, required educational programs and other factors.

**Table 2
Change in Net Position**

	<u>2014</u>	<u>2013</u>
Operating Revenue		
State Aid	\$ 1,469,648	\$ 1,374,607
Other	9,075	24,265
Total Operating Revenues	<u>1,478,723</u>	<u>1,398,872</u>
Operating Expenses		
Purchased Services	2,515,232	2,447,780
Materials and Supplies	219,667	118,919
Sponsor Fees	47,728	41,058
Depreciation	112,738	85,563
Other	9,398	37,424
Total Operating Expenses	<u>2,904,763</u>	<u>2,730,744</u>
Operating Loss	(1,426,040)	(1,331,872)
Non-Operating Revenues		
Federal Grants	333,336	162,083
Management Company Contributions	712,909	835,561
Debt Forgiveness	-	238,719
Total Non-Operating Revenues	<u>1,046,245</u>	<u>1,236,363</u>
Decrease in Net Position	<u>\$ (379,795)</u>	<u>\$ (95,509)</u>

Purchased services and materials and supplies expenses increased as a result of the additional federal grant expenses offset by the increases in the related federal grant revenues.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

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

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At June 30, 2014, the School's net capital asset balance was \$209,091, which represented a decrease of \$88,058 from 2013. For more information on capital assets, see Note 6 of the Basic Financial Statements.

DEBT

On February 27, 2014, the School and GEMS Education Solutions signed an amendment to the Business and Academic Services Agreement, which forgave all debts as owed to GEMS Education Solutions, except for \$250,000. This was recorded in the fiscal year 2013 balances.

CURRENT FINANCIAL ISSUES

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary sources of revenue.

On June 30, 2014, the School closed. See Note 14 of the Basic Financial Statements.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 101 Cleveland Avenue, Canton, Ohio 44702 or e-mail at dave@massasolutionsllc.com.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**Statement of Net Position
For the Fiscal Year Ended June 30, 2014**

Assets

Current Assets:

Cash	\$ 71,415
Intergovernmental Receivable	<u>100,702</u>

Total Current Assets	<u>172,117</u>
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Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net	<u>209,091</u>
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Total Assets	<u><u>\$ 381,208</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	\$ 577,642
Accrued Expenses	28,870
Note Payable – GEMS Education	<u>250,000</u>

Total Liabilities	<u>\$ 856,512</u>
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Net Position

Net Investment in Capital Assets	209,091
Unrestricted	<u>(684,395)</u>

Total Net Position	<u><u>\$ (475,304)</u></u>
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See accompanying notes to the basic financial statements

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

Operating Revenues

State Aid	\$ 1,469,648
Other	9,075
Total Operating Revenues	<u>1,478,723</u>

Operating Expenses

Purchased Services	2,515,232
Materials and Supplies	219,667
Sponsor Fees	47,728
Depreciation	112,738
Other	9,398
Total Operating Expenses	<u>2,904,763</u>

Operating Loss (1,426,040)

Non-Operating Revenues

Federal Grants	333,336
Management Company Contributions	712,909
Total Non-Operating Revenue	<u>1,046,245</u>

Change in Net Position (379,795)

Net Position, Beginning of Year (95,509)

Net Position, End of Year \$ (475,304)

See accompanying notes to the basic financial statements

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014**

Increase (Decrease) in Cash

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,377,235
Cash Received from Other Operating Sources	9,171
Cash Payments to Suppliers for Goods and Services	<u>(1,683,023)</u>
Net Cash Used for Operating Activities	(296,617)

Cash Flows from Non Capital Financing Activities

Cash Received from Federal Grants	<u>362,123</u>
Net Cash Provided by Non Capital Financing Activities	362,123

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Acquisitions	<u>(24,680)</u>
Net Cash Used for Capital Financing Activities	(24,680)

Net Increase in Cash 40,826

Cash, Beginning of Year 30,589

Cash, End of Year \$ 71,415

(Continued)

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(Continued)**

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

Operating Loss	\$ (1,426,040)
Depreciation	112,738
Management Company Contributions	712,909
Changes in Assets and Liabilities:	
Increase/ (Decrease) in Accounts Payable	504,022
Increase/ (Decrease) in Accrued Expenses	(112,534)
(Increase)/ Decrease in Other Assets	4,604
(Increase)/ Decrease in Intergovernmental Receivable	(96,604)
(Increase)/ Decrease in Accounts Receivable	4,288
	<hr/>
Net Cash (Used For) Operating Activities	<u>(296,617)</u>

Non Cash Transactions

Management Company Contributions	\$ 712,909
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See accompanying notes to the basic financial statements

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

1. DESCRIPTION OF THE ENTITY

Believe to Achieve, Canton (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Ohio Council of Community Schools, ("OCCS") (the Sponsor) for a five year period commencing on July 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

The Government Accounting Standards Board requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided for in the School’s sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash

Cash received by the School is reflected as “Cash” on the Statement of Net Position. The School did not have any investments during the year ended June 30, 2014.

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. Donated capital assets are recorded at their fair market values as of the date received. The costs of additions are capitalized and expenses for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were \$209,091, as of June 30, 2014, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Technology Assets	3 years
Furniture & Equipment	5 years
Textbooks	3 years

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation - Continued

The School's policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$1,373,137 this fiscal year from the Foundation Program and \$333,336 from Federal grants.

H. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, notes payable, and accrued expenses, totaling \$856,512 at June 30, 2014.

I. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2014.

3. CASH

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014, the book amount of the School's deposits was \$71,415 and the bank balance was \$131,079.

The School had no deposit policy for custodial credit risk beyond the requirement of state statute. Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2014, none of the bank balance was exposed to custodial credit risk.

4. INTERGOVERNMENTAL RECEIVABLES

A. Accounts Receivable

The School had intergovernmental receivables totaling \$100,702 at June 30, 2014. These receivables represented monies earned, but not received as of June 30, 2014, including an FTE adjustment of \$96,511.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

5. NOTE PAYABLE

On August 30, 2012, the School entered into a revolving line of credit agreement with GEMS Education Solutions – Americas, Inc. in the amount of \$1.5 million. The revolving line of credit has a maturity date of June 30, 2014 and accrues interest at a rate of 8%. These funds were used to cover the start-up costs, capital purchases and short term operating expenses. The activity during the year is reflected as follows:

Note	Balance			Balance
<u>Amount</u>	<u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2014</u>
\$1,500,000	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 250,000</u>

On February 27, 2014, the School and GEMS Education Solutions signed an amendment to the Business and Academic Services Agreement, which forgave all debts as owed to GEMS Education Solutions, except for \$250,000. The debt forgiveness was reflected in the basic financial statements as of June 30, 2013.

6. CAPITAL ASSETS

For the period ending June 30, 2014, the School's capital assets consisted of the following:

	Balance			Balance
	<u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/14</u>
Capital Assets:				
Technology Assets	\$ 78,042	\$ 17,411	\$ -	\$ 95,453
Furniture & Equipment	159,031	-	-	159,031
Textbooks	145,639	7,269	-	152,908
Total Capital Assets	382,712	24,680	-	407,392
Less Accumulated Depreciation:				
Technology Assets	(20,479)	(30,366)	-	(50,845)
Furniture & Equipment	(24,629)	(31,806)	-	(56,435)
Textbooks	(40,455)	(50,566)	-	(91,021)
Total Accumulated Depreciation	(85,563)	(112,738)	-	(198,301)
Capital Assets, Net	<u>\$ 297,149</u>	<u>\$ (88,058)</u>	<u>\$ -</u>	<u>\$ 209,091</u>

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

7. RISK MANAGEMENT

A. Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2014, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$5,000,000.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

8. DEFINED BENEFIT PENSIONS PLANS

The School has contracted with GEMS Education Solutions to provide all teaching and administrative personnel. Such personnel are employees of GEMS; however, the School is responsible for monitoring and ensuring that GEMS makes pension contributions on its behalf. The retirement systems consider GEMS as the "Employer of Record", however the School is ultimately responsible for remitting contributions to each of the systems noted below.

A. School Employees Retirement System (SERS Ohio)

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employers/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 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 School's contributions for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2014 and 2013 were \$19,211 and \$17,392, respectively, which equaled the required

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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contribution for the fiscal years or 100%.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio)

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org under "publications".

Plan Options - 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 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School 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 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014 and 2013 were \$93,109 and \$75,149, respectively, which equaled the required contribution for the years or 100%.

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**NOTES TO THE FINANCIAL STATEMENTS
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9. POST EMPLOYMENT BENEFITS

A. School Employee Retirement System (SERS Ohio)

Plan Description - The School 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 Chapter 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 premium for calendar year 2014 was \$104.90 for most participants but could be as high as \$335.70 per month depending on their income and 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 2014, .14 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. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the 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 \$20,250.

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 School's contribution for health care (including surcharge) for the fiscal year ended June 30, 2014 and 2013 was \$1,202 and \$1,939, respectively, which equaled the required contribution for

**BELIEVE TO ACHIEVE, CANTON
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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the fiscal year or 100%.

9. POST EMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (SERS Ohio) (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal year ended June 30, 2014 and 2013 was \$1,115 and \$982, respectively, which equaled the required contributions for the year or 100%.

B. State Teachers Retirement System (STRS Ohio)

Plan Description - The School 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal year ended June 30, 2014 and 2013 was \$7,162 and \$5,781, respectively, which equaled the required contributions for the year or 100%.

10. CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the School as defendant.

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

10. CONTINGENCIES (Continued)

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

11. SPONSOR AND MANAGEMENT CONTRACTS

A. Sponsor

The School contracted with Ohio Council of Community Schools as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2014, the total sponsorship fees paid totaled \$47,728.

B. Management Company

The School entered into an agreement with GEMS Education Solutions, a for profit management company, to provide the GEMS educational model, legal, financial, and other management support services. GEMS also employs the employees and provides payroll services, fringe benefits and retirement contributions for the employees.

The agreement was for a period of five years beginning February 29, 2012. Management fees are calculated as 17% of the total revenues received from the State of Ohio in the first year, and 15% in years thereafter. The total amount paid by the School for the fiscal year ending June 30, 2014 was \$205,971 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Position.

12. PURCHASED SERVICES

For the year ended June 30, 2014, the School had the following purchased services expenses.

Salaries and Benefits	\$ 1,176,157
Professional and Technical Services	547,055
Property Services	481,778
Travel and Meetings	12,741
Pupil Services	297,501
	<hr/>
	\$ 2,515,232
	<hr/>

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

13. LEASE OBLIGATIONS

On June 2, 2012, the School entered into an operating lease with the Tri State Central Canton Limited Partnership for space located at 101 Cleveland Avenue, Canton, OH 44702 commencing on August 1, 2012. The term of the lease is for a period of five years, with the option of two additional five year renewal options. Base rent expense for the fiscal year ended 2014 was \$313,219 and each year on the anniversary of the lease the rent shall automatically increase 2% of the current rental amount.

Future lease obligations are as follows:

2015	394,890
2016	404,763
2017	414,882
Total	<u>\$ 1,214,535</u>

14. SCHOOL CLOSURE

The School officially closed on June 30, 2014. The School disposed of its assets and the bank accounts will be closed and any remaining cash after the School's final expenses and payables have been paid will be paid back to the ODE. Below is the School's Statement of Net Position as of October 31, 2014:

Assets	
Cash	\$ 56,052
Intergovernmental Receivable	96,511
Total Assets	<u>152,563</u>
Liabilities	
Accounts Payable	575,964
Accrued Expense	7,150
Notes Payable – GEMS Education	224,433
Total Liabilities	<u>807,547</u>
Net Position	<u>\$ (654,984)</u>
Beginning Net Assets	\$ (475,304)
Expenses	<u>(179,680)</u>
Ending Net Assets	<u>\$ (654,984)</u>

Expenses recorded after the School closed June 30, 2014, was primarily the recording of the loss on the disposition of the School's capital assets.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
Believe to Achieve, Canton
101 Cleveland Avenue, NW
Canton, Ohio 44702

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Believe to Achieve, Canton, Stark County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Believe to Achieve, Canton, Ohio's basic financial statements and have issued our report thereon dated November 25, 2014, wherein we noted the School closed on June 30, 2014, as discussed in Note 14.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Believe to Achieve, Canton, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Believe to Achieve, Canton, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Believe to Achieve, Canton, Ohio's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Believe to Achieve, Canton, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Believe to Achieve, Canton, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc.,
ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.29 15:49:58 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 25, 2014

**BELIEVE TO ACHIEVE, CANTON
STARK COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

The prior audit report, as of June 30, 2013, included no citations or instances of noncompliance.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

BELIEVE TO ACHIEVE - CANTON

STARK 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 24, 2015**