

HOPE ACADEMY FOR AUTISM

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2014





Dave Yost • Auditor of State

Board of Governors
Hope Academy for Autism
1628 Niles Rd SE
Warren, Ohio 44484

We have reviewed the *Independent Auditor's Report* of the Hope Academy for Autism, Trumbull County, prepared by Charles E. Harris & Associates, 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 Hope Academy for Autism is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2015

This page intentionally left blank.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 3 |
| Statement of Net Position – June 30, 2014 | 7 |
| Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014 | 8 |
| Statement of Cash Flows For the Fiscal Year Ended June 30, 2014 | 9 |
| Notes to the Financial Statements | 11 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |
| Schedule of Prior Audit Findings..... | 23 |
| Independent Auditor's Report on Applying Agreed-Upon Procedures | 24 |

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Hope Academy for Autism
Trumbull County
1628 Niles Rd SE
Warren, Ohio 44484

To the Board of Governors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

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

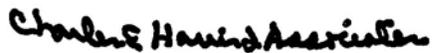
Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 6, 2015

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

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

Financial Highlights

Key financial highlights for the Hope Academy for Autism for fiscal year ended June 30, 2014 are as follows:

- In total, net position increased \$113,201, which represents a 134.92 percent increase from 2013.
- Total assets increased \$163,732, which represents a 860 percent increase from 2013.
- Total liabilities increased \$50,351, which represents a 254 percent increase from 2013.
- The Academy's operating income was \$49,331.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Academy's net position; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

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

Table 1 provides a summary of the Academy's net position as of June 30, 2014.

**Table 1
Net Position**

| | 2014 | 2013 |
|------------------------------|-------------|-------------|
| Assets: | | |
| Current Assets | \$171,127 | \$17,444 |
| Capital Assets, Net | 11,640 | 1,591 |
| Total Assets | 182,767 | 19,035 |
| Liabilities: | | |
| Current liabilities | 70,405 | 19,874 |
| Total Liabilities | 70,405 | 19,874 |
| Net Position: | | |
| Investment in Capital Assets | 11,640 | 1,591 |
| Restricted | 453 | 819 |
| Unrestricted (deficit) | 100,269 | (3,249) |
| Total Net Position (deficit) | \$112,362 | \$ (839) |

Total assets increased \$163,732, which represents an 860 percent increase from 2013. The Academy's student population has increased in fiscal year 2014, therefore caused an increase in current assets, as cash was received from the Ohio Department of Education.

Total liabilities increased \$50,351, which represents an 254 percent increase from 2013. This is due to the Academy hiring additional personnel during 2014 to provide services to students.

Total net position increased \$113,201, which represents a 134.92 percent increase from 2013. A portion of the Academy's net position, \$453, or .4 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$100,269 may be used to meet the Academy's ongoing obligations to students and creditors.

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

Table 2 shows the changes in net position for fiscal year ended June 30, 2014.

**Table 2
Change in Net Position**

| | 2014 | 2013 |
|---------------------------------|-------------------|-----------------|
| Operating Revenues: | | |
| Foundation | \$ 864,018 | \$ 416,553 |
| Casino | 755 | 0 |
| Non-Operating Revenues: | | |
| Federal & State Revenue | 72,766 | 57,320 |
| Miscellaneous Revenue | 12,752 | 9,583 |
| Total Revenues | <u>950,291</u> | <u>483,456</u> |
| Operating Expenses: | | |
| Salaries & Wages | 395,888 | 252,008 |
| Fringe Benefits | 86,025 | 38,665 |
| Purchased Services | 306,515 | 175,946 |
| Materials and Supplies | 24,900 | 12,253 |
| Depreciation Expense | 2,114 | 27 |
| Other Expenses | 21,648 | 5,396 |
| Total Expenses | <u>837,090</u> | <u>484,295</u> |
| Change in Net Position | 113,201 | (839) |
| Net Position, Beginning of Year | <u>(839)</u> | <u>-</u> |
| Net Position, End of Year | <u>\$ 112,362</u> | <u>\$ (839)</u> |

The Academy operates as one enterprise fund. The results of fiscal year 2014 operations indicate an ending net position of \$112,362.

Total revenue increased \$466,835 from 2013. This consists of \$447,465 increase in foundation revenue due to an increase in student population, as well as Federal and State received from the State of Ohio. In addition, the Academy received new funding for participating in the Ohio Medicaid Schools Program.

Total expenses increased \$352,795 from 2013. This increase is due to salaries & wages, fringe benefits and purchased services. During fiscal year 2014, the Academy hired additional personnel and contractors to provide services to the additional students.

Capital Assets

At June 30, 2014, capital assets of the Academy were \$13,781, which were offset by \$2,141 in depreciation resulting in net capital assets of \$11,640. See Note 10 of the notes to the basic financial statements for additional information.

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

Debt

The debt obligation of the Academy consisted solely of loans obtained to provide financial assistance for the day-to-day operation of the Academy. At June 30, 2014, the outstanding principal balance was \$400. See Note 11 of the notes to the basic financial statements for additional information.

Restrictions and Other Limitations

The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial-Related Activities

The Academy is sponsored by Educational Resource Consultants of Ohio, Inc. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality educational services to students. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Hope Academy for Autism and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Hope Academy for Autism, 1628 Niles Road SE, Warren, Ohio 44484.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

CURRENT ASSETS

| | |
|------------------------------|----------------|
| Cash | \$ 149,231 |
| Intergovernmental Receivable | 9,676 |
| Prepays | <u>12,220</u> |
| Total Current Assets | <u>171,127</u> |

NON-CURRENT ASSETS

| | |
|--------------------------|------------------|
| Capital Assets, Net | <u>11,640</u> |
| Total Non-Current Assets | <u>\$ 11,640</u> |

| | |
|---------------------|------------------------------|
| TOTAL ASSETS | <u><u>182,767</u></u> |
|---------------------|------------------------------|

LIABILITIES

CURRENT LIABILITIES

| | |
|---------------------------|---------------|
| Accounts Payable | 3,916 |
| Accrued Wages | 54,089 |
| Intergovernmental Payable | 12,000 |
| Loan Payable | <u>400</u> |
| Total Current Liabilities | <u>70,405</u> |

| | |
|--------------------------|----------------------|
| TOTAL LIABILITIES | <u>70,405</u> |
|--------------------------|----------------------|

NET POSITION

| | |
|------------------------------|----------------|
| Investment in Capital Assets | 11,640 |
| Restricted for: | |
| Grant | 453 |
| Unrestricted | <u>100,269</u> |

| | |
|---------------------------|---------------------------------|
| TOTAL NET POSITION | <u><u>\$ 112,362</u></u> |
|---------------------------|---------------------------------|

See accompanying notes to the financial statements.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | |
|---|--------------------------|
| OPERATING REVENUES: | |
| Foundation | \$ 864,018 |
| Casino | <u>755</u> |
| Total Operating Revenues | <u>864,773</u> |
| | |
| OPERATING EXPENSES | |
| Salaries and Wages | 395,888 |
| Fringe Benefits | 86,025 |
| Purchased Services | 306,515 |
| Materials and Supplies | 24,900 |
| Depreciation | <u>2,114</u> |
| Total Operating Expenses | <u>815,442</u> |
| Operating Income | <u>49,331</u> |
| | |
| NON-OPERATING REVENUES/(EXPENSES) | |
| Federal Grant Revenue | 71,363 |
| State Grant Revenue | 1,403 |
| Other Revenue | 12,752 |
| Other Expenses | <u>(21,648)</u> |
| Total Non-Operating Revenues/(Expenses) | <u>63,870</u> |
| Changes in Net Position | 113,201 |
| Net Postition, Beginning of Year | <u>(839)</u> |
| Net Position, End of Year | <u><u>\$ 112,362</u></u> |

See accompanying notes to the financial statements.

**HOPE ACADEMY FOR AUTISM
TRUMBULL 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 | \$ 864,773 |
| Cash Payments to Employees for Services and Benefits | (422,140) |
| Cash Payments to Suppliers for Goods and Services | (345,727) |
| Net Cash Provided by Operating Activities | <u>96,906</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|---------------|
| Federal and State Grants | 74,989 |
| Other Revenue | 12,752 |
| Other Expenses | (21,641) |
| Net Cash Provided by Noncapital Financing Activities | <u>66,100</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|-----------------|
| Cash Payment on Loans | (7,158) |
| Cash Payments for Capital Acquisitions | (12,162) |
| Net Cash Used for Capital and Related Financing Activities | <u>(19,320)</u> |

Net Increase in Cash 143,686

Cash, Beginning of Year 5,545

Cash, End of Year 149,231

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| | |
|---|-------------------------|
| Operating Income | 49,331 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 2,114 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Prepaid | (12,220) |
| Increase (Decrease) in Accrued Wages Payable | 48,618 |
| Increase (Decrease) in Intergovernmental Payable | 11,155 |
| Increase (Decrease) in Accounts Payable | (2,092) |
| Total Adjustments | <u>47,575</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 96,906</u></u> |

See accompanying notes to the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. Description of the School and Reporting Entity

Hope Academy for Autism (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide a nurturing environment, and develop the full potential of gifted students within the Autistic Spectrum Disorders population, by using a multi-structured approach to addressing their individual needs. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Resource Consultants of Ohio, Inc. (the Sponsor) for fiscal year ended June 30, 2013. The Academy entered into a one-year contract with the Sponsor commencing July 1, 2012. The Sponsor renewed the Academy's contract for two years commencing July 1, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

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

2. Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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

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

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 difference between total assets and liabilities are defined as net position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized 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 Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash

All monies received by the Academy are maintained in a demand deposit account. For purposes of the statement of cash flows, the Academy considers all investments having original maturities of 90 days or less as cash equivalents. The Academy did not have any investments during fiscal year 2014.

E. Prepaid

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment by the School and the expense is recorded when used. The School has prepaid items of \$12,220 at June 30, 2014.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| |
|--|
| 2. Summary of Significant Accounting Policies (continued) |
|--|

All capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method. The Academy's capital assets consist of vehicles, furniture and equipment, and improvements. Vehicles, furniture and equipment are depreciated over five years.

G. 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.

H. Intergovernmental Revenues

The Academy is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which it is earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

For fiscal year 2014, intergovernmental revenues associated with the Foundation Program totaled \$864,018. Revenues associated with specific education grants from the state and federal governments totaled \$72,766.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation, if any.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

J. Accrued Liabilities

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2014. Accrued liabilities totaled \$70,405 at June 30, 2014.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. Summary of Significant Accounting Policies (continued)

K. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the Academy at year-end represents unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. Deposits

At June 30, 2014, the carrying amount of the Academy's deposits was \$149,231 and the bank balance was \$153,918. Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk.

4. Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2014, the Academy maintains liability insurance with respect to the particular activities of the Academy in the building. The Academy contracted with Philadelphia Indemnity Insurance Company for its insurance coverage as follows:

| | |
|----------------------------------|-------------|
| General Liability per occurrence | \$1,000,000 |
| General Liability aggregate | \$2,000,000 |

B. Workers' Compensation

The Academy 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.

C. Employee Insurance Benefits

The Academy utilizes Aflac to provide health, life, vision, and dental insurance benefits to Academy employees.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

5. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description

The Hope Academy for Autism contributes to the School Employees Retirement System of Ohio (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 state statute per 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 can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and Hope Academy for Autism is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2014 and 2013 were \$31,707 and \$17,030, respectively; 89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

B. State Teachers Retirement System

Plan Description

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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% of earned compensation into an investment account. Investment decisions are made by the member.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

5. Defined Benefit Pension Plans (continued)

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 DB Plan and the DC 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 that 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2014 and 2013 were \$12,185 and \$12,049, respectively; 70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

6. Post-Employment Benefits

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. Post-Employment Benefits (continued)

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The Academy's contributions for the years ended June 30, 2014 and 2013 were \$1,839 and \$962, respectively; 89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2014 and 2013 were \$4,492 and \$208, respectively; 89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

The SERS 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.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. Post-Employment Benefits (continued)

Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

B. State Teachers Retirement System

The Academy contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for healthcare for the fiscal years ended June 30, 2014 and 2013 were \$937 and \$926, respectively; 70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

7. Restricted Net Position

At June 30, 2014, the Academy reported restricted net position totaling \$453. The nature of the net position restriction is for food service.

8. Purchased Services

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

| | |
|--------------------------|------------------|
| Professional Services | \$ 110,037 |
| Property | 132,664 |
| Travel / Meeting | 1,087 |
| Communication | 5,015 |
| Contracted Services | 5,436 |
| Other | 52,276 |
| Total Purchased Services | <u>\$306,515</u> |

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

9. Operating Lease

On May 24, 2012, the Academy entered into a lease agreement with the Shepherd of All God's Children Development Center for a portion of a building in the amount of \$7,000 per month. The lease is for 3 years, ending December 31, 2015, with the option to renew for one extended term of 2 years. Lease payments to the Shepherd of All God's Children Development totaled \$131,000 for the fiscal year ended June 30, 2014.

10. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

| | Balance 7/1/2013 | Additions | Disposals | Balance 6/30/2014 |
|--------------------------------|---------------------|------------------|-------------|----------------------|
| Furniture and Equipment | \$ 1,618 | \$7,709 | \$ - | \$9,327 |
| Improvement | | 1,900 | | 1,900 |
| Bus | | 2,554 | | 2,554 |
| Total Capital Assets | 1,618 | 12,163 | | 13,781 |
| Less: Accumulated Depreciation | (27) | (2,114) | - | (2,141) |
| Capital Assets, Net | <u>\$ 1,591</u> | <u>\$ 10,049</u> | <u>\$ -</u> | <u>\$11,640</u> |

11. Related Party Transaction / Loan Payable

On January 21, 2013, the Academy entered into a loan agreement with Shepherd of All God's Children Development Center. Shepherd of All God's Children Development Center is the Academy's property owner. There is no interest associated with this loan.

The activity of the Academy's loan payable is summarized as follows:

| <u>Obligation</u> | <u>Beginning Balance</u> | <u>Loan Proceeds</u> | <u>Principal Payments</u> | <u>Ending Balance</u> | <u>Amount Due in One Year</u> |
|---|------------------------------|--------------------------|-------------------------------|---------------------------|---------------------------------------|
| Shepherd of All God's Children Development Center | \$ 7,558 | \$ 0 | \$ 7,158 | \$ 400 | \$ 400 |

12. Contract

A sponsorship agreement was executed between the Academy and the Educational Resource Consultants of Ohio for two (2) year period commencing July 1, 2013. Under this agreement, the Academy pays the Sponsor 3% of State Aid. The Academy's sponsor fee expense at June 30, 2014 totaled \$25,758.

**HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| |
|--------------------------|
| 13. Contingencies |
|--------------------------|

A. 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 Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at June 30, 2014.

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2014 as a result of the reviews, which have yet to be completed.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Hope Academy for Autism
Trumbull County
1628 Niles Rd SE
Warren, Ohio 44484

To the Board of Governors:

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 Hope Academy for Autism, Trumbull County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
January 6, 2015

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

| FINDING NUMBER | FUNDING SUMMARY | FULLY CORRECTED? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-------------------|--|---------------------|---|
| 2013-001 | Exclusion of Intergovernmental Payables in Financial Statements | Yes | Finding No Longer Valid |

Independent Auditor's Report on Applying Agreed-Upon Procedures

Hope Academy for Autism
Trumbull County
1628 Niles Rd SE
Warren, Ohio 44484

To the Board of Governors:

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

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

1. In the prior report dated July 25, 2014, it was noted the Academy implemented an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. However, this policy was not formally approved by the Board nor documented in the Academy's minutes.
2. We inquired with the Academy's management regarding the aforementioned policy. They stated the Board has not formally approved the policy. We also reviewed the Academy's minutes and found no evidence of formal approval of the implemented policy.

The Board should formally adopt their policy and document in the minutes the approval of the Academy's anti-harassment policy.

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

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



Charles E. Harris & Associates, Inc.
January 6, 2015



Dave Yost • Auditor of State

HOPE ACADEMY FOR AUTISM

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2015**