

**EDGE LEARNING, INC.
dba The Edge Academy
SUMMIT COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2013**

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



Dave Yost • Auditor of State

Board of Directors
The Edge Learning, Inc. dba The Edge Academy
92 North Union Street
Akron, Ohio 43044

We have reviewed the *Independent Auditor's Report* of the Edge Learning, Inc. dba The Edge Academy, Summit 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 Edge Learning, Inc. dba The Edge Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 29, 2016

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EDGE LEARNING, INC.
dba The Edge Academy
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

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

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of Edge Learning, Inc., dba The Edge Academy, Summit County, Ohio (the Academy), as of and for the years ended June 30, 2014 and 2013, 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 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 opinions 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 Academy'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 Edge Learning, Inc., dba The Edge Academy, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edge Learning, Inc., dba The Edge Academy, Ohio, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with 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 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 December 18, 2015, on our consideration of Edge Learning, Inc., dba The Edge Academy, 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 Edge Learning, Inc., dba The Edge Academy, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, President
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@isbcglobal.net, c=US
Date: 2015.12.30 13:03:06 -05'00'

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

December 18, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

Years Ended June 30, 2014 and 2013

The discussion and analysis of the Edge Learning, Inc.'s (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2014 and 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- In total, net position (decreased) increased by (\$25,105) and \$98,540 which represents a (4.6%) and 21.7% (decrease) increase from 2013 and 2012, respectively. The decrease in net position during 2014 is mainly attributed to higher total operating expenses, as compared to the same period in 2013. The increase in net position during 2013 is primarily due to higher total operating revenues, coupled with lower total operating expenses as compared to the same period in 2012.
- Total assets increased by \$19,781 and \$83,373 which represents a 2.7% and 12.8% increase from 2013 and 2012, respectively. The increase of total assets as of June 30, 2014, as compared to prior year is primarily due to an increase in capital assets, partially offset by decrease in current assets during current year. The increase of total assets as of June 30, 2013 as compared to the same time in 2012 was mainly due to an increase in cash and cash equivalents and capital assets during 2013.
- Total liabilities increased (decreased) by \$44,886 and (\$15,167), which represents a 24.4% and (7.6)% increase (decrease) from 2013 and 2012, respectively. The increase in total liabilities as of June 30, 2014 is mainly due to increase in capital lease payable, which was slightly offset by decrease in accounts payable as compared to prior year. The decrease in total liabilities as of June 30, 2013 as compared to the same time in 2012 was primarily due to a decrease in capital lease payable.

Using this Financial 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 Academy uses the enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the Academy did financially during 2014 and 2013. These statements include all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

Years Ended June 30, 2014 and 2013

The table below provides a summary of the Academy's net position for fiscal years 2014, 2013 and 2012.

Current assets	\$ 345,712	\$ 438,170	\$ 395,277
Capital assets, net	166,892	90,873	77,787
Other assets	243,116	206,896	179,502
TOTAL ASSETS	\$ 755,720	\$ 735,939	\$ 652,566
 <u>LIABILITIES</u>			
Current liabilities	\$ 159,549	\$ 184,226	\$ 186,328
Long-term liabilities	69,563	0	13,065
TOTAL LIABILITIES	\$ 229,112	\$ 184,226	\$ 199,393
 <u>NET POSITION</u>			
Net Investment in capital assets	\$ 80,241	\$ 77,808	\$ 52,074
Unrestricted	446,367	473,905	401,099
TOTAL NET POSITION	\$ 526,608	\$ 551,713	\$ 453,173

Statements of Revenues, Expenses and Changes in Net Position

The table that follows shows the changes in net position for fiscal years 2014, 2013, and 2012, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, as a whole, the financial position of the Academy 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, facility conditions, required educational programs and other factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

Years Ended June 30, 2014 and 2013

	<u>Change in Net Position</u>		
	2014	2013	2012
<u>OPERATING REVENUES</u>			
Foundation payments	\$ 1,980,291	\$ 1,882,197	\$ 1,810,780
Other	58,790	13,822	5,628
TOTAL OPERATING REVENUES	<u>2,039,081</u>	<u>1,896,019</u>	<u>1,816,408</u>
<u>OPERATING EXPENSES</u>			
Salaries	1,232,731	1,162,314	1,189,000
Retirement	129,293	104,610	192,957
Insurance	47,106	61,032	53,905
Rent	360,262	360,287	359,797
Purchased services	245,708	202,000	181,072
Materials and supplies	295,191	262,853	240,444
Utilities	79,340	54,692	55,466
Depreciation	21,255	19,161	17,503
Other operating expenses	140,391	93,398	95,449
	<u>2,551,277</u>	<u>2,320,347</u>	<u>2,385,593</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment income	4,204	4,854	3,920
Realized gain on investments	9,244	10,237	7,565
Unrealized gain (loss) on investments	25,691	13,255	(13,416)
Loss on sale of assets	(11,584)	0	0
State and federal grants	459,536	494,522	536,133
	<u>487,091</u>	<u>522,868</u>	<u>534,202</u>
CHANGE IN NET POSITION	<u>\$ (25,105)</u>	<u>\$ 98,540</u>	<u>\$ (34,983)</u>

Total revenue increased by \$118,869 (4.9%) during 2014 as compared to 2013. The primary reason for the increase in overall revenues was a significant increase in special education funding, Medicaid services, in addition to annual increase in foundation payments during 2014. The increase was slightly offset by decrease in state and federal grants. The primary reason for the increase in overall revenue during 2013 as compared to 2012 was mainly due to increase in foundation payments. The primary reason for increase in operating expenses for 2014 was due to an increase in salaries and retirement expenses. The Academy hired a new curriculum coordinator and a driver for school's transportation during 2014. In addition, the Academy incurred higher expenses for purchased services, materials and supplies, utilities, general supplies, and interest expenses in 2014. The operating expenses decreased during 2013 as compared to 2012. This was mainly due to lower retirement expenses in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

Years Ended June 30, 2014 and 2013

Budgeting Highlights

Unlike the 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, unless specifically provided in the community school's contract with its Sponsor. The contract between the Academy and its sponsor for 2014, St. Aloysius, and its sponsor for 2013, Lucas County Educational Center, does not prescribe a budgetary process for the Academy.

Capital Assets

At the end of fiscal year 2014, 2013, and 2012 the Academy had \$166,892, \$90,873, and \$77,787 respectively, invested in furniture and equipment, leasehold, land improvements and vehicles (net of depreciation), which represented an increase of \$76,019 and \$13,086 from 2013 and 2012, respectively. The table below shows the changes in Capital Assets.

	2014	2013	2012
Furniture and Equipment	\$ 93,708	\$ 27,323	\$ 39,620
Leasehold Improvements	45,812	26,464	4,250
Land Improvements	18,576	20,227	21,878
Vehicles	8,796	16,859	12,039
	<u>\$ 166,892</u>	<u>\$ 90,873</u>	<u>\$ 77,787</u>

For more information on capital assets, see Note B in the Notes to the Basic Financial Statements.

Current Financial Issues

The Academy received revenue for 261 students in 2014 (a decrease from 2013 of 262) and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The Academy receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the Academy averaged \$7,587 in fiscal year 2014 with increase in State Basic Aid planned in future fiscal years. The Academy receives additional revenues from grant subsidies.

The Academy entered into a contract with St. Aloysius (Sponsor) on August 1, 2013. The contract expires on June 30, 2015 unless the Academy notifies the Sponsor at least 180 days prior to the expiration of this contract. The Academy is responsible for a monthly fee to the Sponsor of three% (3%) of all funds received by the Academy from the State of Ohio.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Chris Perin, Finance Director for the Edge Academy, 92 North Union Street, Akron, Ohio 44304 or e-mail at perin@edge4kids.org.

STATEMENTS OF NET POSITION

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

	June 30,	
	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 286,495	\$ 418,773
State and federal grants receivable	57,914	19,397
Due from related party	1,303	0
TOTAL CURRENT ASSETS	<u>345,712</u>	<u>438,170</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	127,931	68,337
Land improvements	33,023	33,023
Leasehold improvements	49,503	28,203
Vehicles	14,264	24,032
	<u>224,721</u>	<u>153,595</u>
Less: accumulated depreciation	(57,829)	(62,722)
TOTAL PROPERTY AND EQUIPMENT	<u>166,892</u>	<u>90,873</u>
OTHER ASSETS		
Marketable securities	243,116	206,896
TOTAL ASSETS	<u>755,720</u>	<u>735,939</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	39,769	52,837
Due to related party	0	18,976
Accrued wages and benefits	102,692	99,348
Current portion of capital lease	17,088	13,065
TOTAL CURRENT LIABILITIES	<u>159,549</u>	<u>184,226</u>
LONG-TERM LIABILITIES		
Capital lease payable	69,563	0
TOTAL LIABILITIES	<u>229,112</u>	<u>184,226</u>
NET POSITION		
Net investment in capital assets	80,241	77,808
Unrestricted net position	446,367	473,905
TOTAL NET POSITION	<u>\$ 526,608</u>	<u>\$ 551,713</u>

See accompanying notes to the basic financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

	Years ended June 30,	
	2014	2013
<u>OPERATING REVENUES</u>		
Foundation payments	\$ 1,980,291	\$ 1,882,197
Other	58,790	13,822
	<u>2,039,081</u>	<u>1,896,019</u>
<u>OPERATING EXPENSES</u>		
Salaries	1,232,731	1,162,314
Retirement	129,293	104,610
Insurance	47,106	61,032
Rent	360,262	360,287
Purchased services	245,708	202,000
Materials and supplies	295,191	262,853
Utilities	79,340	54,692
Depreciation	21,255	19,161
Other operating expenses	140,391	93,398
	<u>2,551,277</u>	<u>2,320,347</u>
	<u>(512,196)</u>	<u>(424,328)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	4,204	4,854
Loss on sale of assets	(11,584)	0
Realized gain on investments	9,244	10,237
Unrealized gain on investments	25,691	13,255
State and federal grants	459,536	494,522
	<u>487,091</u>	<u>522,868</u>
	(25,105)	98,540
	<u>551,713</u>	<u>453,173</u>
	<u>\$ 526,608</u>	<u>\$ 551,713</u>

See accompanying notes to the basic financial statements.

STATEMENTS OF CASH FLOWS

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

	Years ended June 30,	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from State of Ohio	\$ 1,941,774	\$ 1,880,338
Cash payments to employees for services and benefits	(1,403,786)	(1,323,893)
Cash payments to suppliers for goods and services	(995,569)	(879,833)
Cash payments for other operating expenses	(140,391)	(77,465)
Other operating revenues	58,790	13,822
Net cash used in operating activities	<u>(539,182)</u>	<u>(387,031)</u>
Cash flows from noncapital financing activities:		
State and federal grants	459,536	494,522
Investment income	4,204	4,854
Net cash provided by noncapital financing activities	<u>463,740</u>	<u>499,376</u>
Cash flows from capital and related financing activities:		
Cash payments for related party	(17,673)	(458)
Cash payments for capital acquisitions	(21,300)	(30,363)
Cash received from sale of assets	2,500	0
Cash received from sale of investments	49,637	0
Cash payments for purchases of investments	(54,600)	(3,902)
Cash payments for capital lease	(15,400)	(12,648)
Cash received/ payments for fraud loss	0	41,427
Cash received/ payments for other capital and related financing activities	0	(1,297)
Net cash (used in) capital and related financing activities	<u>(56,836)</u>	<u>(7,241)</u>
Net increase in cash and cash equivalents	<u>(132,278)</u>	<u>105,104</u>
Cash and cash equivalents at beginning of year	<u>418,773</u>	<u>313,669</u>
Cash and cash equivalents at end of year	<u>\$ 286,495</u>	<u>\$ 418,773</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (512,196)	\$ (424,328)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	21,255	19,161
(Increase) decrease in assets:		
Accounts receivable	(38,517)	39,569
Prepaid expenses	0	4,124
Increase (decrease) in liabilities:		
Accounts payable	(13,068)	30,333
Accrued wages and benefits	3,344	(51,828)
Payroll withholdings payable	0	(4,062)
Total adjustments	<u>(26,986)</u>	<u>37,297</u>
Net cash used in operating activities	<u>\$ (539,182)</u>	<u>\$ (387,031)</u>
SUPPLEMENTAL DISCLOSURES		
Schedule of noncash investing and financing transactions		
Addition of capital lease	<u>\$ 102,051</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE A – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Edge Academy (the Academy) is a not-for-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students from kindergarten through fifth grade. 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. 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.

The Academy was approved for operation under a year to year contract with the Lucas County Educational Service Center for a period of five years commencing with the fiscal year ended June 30, 2007. Upon expiration of the contract, the Academy was approved for operation under a contract with St. Aloysius (Sponsor) commencing August 1, 2014 which expires on June 30, 2015.

The Academy operates under the direction of a self-appointing, five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 3 non-certified and 25 certified full-time teaching personnel who provide services to approximately 261 students.

NOTE B – 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 following are the most significant of the Academy's accounting policies.

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) 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.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment 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. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

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, unless specifically provided in the Academy's contract with the sponsor. The contract between the Academy and their sponsor, St. Aloysius for 2014 and the Lucas County Educational Center for 2013, does not prescribe a budgetary process for the Academy.

Cash: Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Marketable Securities: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting of Certain Investments and for External Investment Pools, the investment in marketable securities is reported at fair value on the statement of net position.

Property and Equipment: Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of \$1,000, while repairs are charged to expense. The Academy does not possess any infrastructure and does not capitalize interest costs.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Depreciation of furniture and equipment, land improvements, leasehold improvements and vehicles are computed using the straight-line method based on estimated useful life of 5 to 20 years. Depreciation expense for the years ended June 30, 2014 and 2013 was \$21,255 and \$19,161, respectively.

	June 30, 2013	Additions	Deletions	June 30, 2014
Capital Assets, being depreciated:				
Land Improvements	\$ 33,023	\$ 0	\$ 0	\$ 33,023
Furniture and Equipment	68,337	102,051	(42,457)	127,931
Leasehold Improvements	28,203	21,300	0	49,503
Vehicles	24,032	0	(9,768)	14,264
Total Capital Assets, being depreciated	<u>153,595</u>	<u>123,351</u>	<u>(52,225)</u>	<u>224,721</u>
Less Accumulated Depreciation:				
Land Improvements	(12,796)	(1,651)	0	(14,447)
Furniture and Equipment	(41,014)	(13,823)	20,614	(34,223)
Leasehold Improvements	(1,739)	(1,952)	0	(3,691)
Vehicles	(7,173)	(3,829)	5,534	(5,468)
Total Accumulated Depreciation	<u>(62,722)</u>	<u>(21,255)</u>	<u>26,148</u>	<u>(57,829)</u>
Total Capital Assets, Net	<u>90,873</u>	<u>102,096</u>	<u>(26,077)</u>	<u>166,892</u>
	June 30, 2012	Additions	Deletions	June 30, 2013
Capital Assets, being depreciated:				
Land Improvements	\$ 33,023	\$ 0	\$ 0	\$ 33,023
Furniture and Equipment	68,337	0	0	68,337
Leasehold Improvements	5,455	22,748	0	28,203
Vehicles	16,417	14,264	(6,649)	24,032
Total Capital Assets, being depreciated	<u>123,232</u>	<u>37,012</u>	<u>(6,649)</u>	<u>153,595</u>
Less Accumulated Depreciation:				
Land Improvements	(11,145)	(1,651)	0	(12,796)
Furniture and Equipment	(28,717)	(12,297)	0	(41,014)
Leasehold Improvements	(1,205)	(534)	0	(1,739)
Vehicles	(4,378)	(4,679)	1,884	(7,173)
Total Accumulated Depreciation	<u>(45,445)</u>	<u>(19,161)</u>	<u>1,884</u>	<u>(62,722)</u>
Total Capital Assets, Net	<u>77,787</u>	<u>17,851</u>	<u>(4,765)</u>	<u>90,873</u>

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Purchased Services: The Academy purchased services in the amount of \$245,708 and \$202,000 for the years ended June 30, 2014 and 2013, respectively.

This includes the following at June 30:

	<u>2014</u>	<u>2013</u>
Busing and transportation fees	\$ 24,011	\$ 11,105
School psychologist	3,741	0
Professional development	41,947	31,516
Professional and legal	41,813	35,407
Maintenance services	48,007	34,753
Nursing services	19,433	22,597
Technical services	35,050	31,323
Copier supplies	2,066	9,237
Other general services	29,640	26,062
	<u>\$ 245,708</u>	<u>\$ 202,000</u>

Compensated Absences: Each employee of the Academy is entitled to five paid sick days each year. Days not used during the year are not carried over to the following year and the Academy does not pay employees for unused sick days. Employees of the Academy do not earn vacation.

Net Position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. For 2014 and 2013, the Academy did not have any deferred outflows and deferred inflows. The net position component "net investment in capital assets," consists 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. Net position are reported as restricted when there are limitations imposed on their use either through the enabling of legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

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

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Intergovernmental Revenue: The Academy currently participates in the State Foundation Program, the State Meals Program, the EMIS Subsidy Program, the Food Service Federal Grant Programs, the IDEA Part B Program, Title I. Revenues received from these programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided on a reimbursement basis.

Accrued Liabilities: The Academy has recognized certain expenses due but unpaid as of June 30, 2014 and 2013. These expenses are reported as accrued liabilities in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provisions for federal income taxes in the accompanying financial statements. In addition, the Academy has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for years ended June 30, 2014 and 2013. The Academy believes that it has appropriate support for the tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Academy’s federal Return of Organization Exempt From Income Tax (Form 990) for 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE C—DEPOSITS AND INVESTMENTS—CONTINUED

Deposits: At June 30, 2014 and 2013, the carrying amount of the Academy's deposits was \$286,495 and \$418,773, respectively, and the bank balances were \$300,035 and \$442,674, respectively. At fiscal year end June 30, 2014 and 2013, \$257,500 and \$250,000, respectively, of the bank balances were covered by the federal depository insurance with the remainder uninsured and uncollateralized.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end June 30, 2014 and 2013, \$42,535 and \$192,674 of the Academy's bank balances were uninsured and uncollateralized. The securities were held by the pledging institutions' trust department. Institution noncompliance with federal requirements could potentially subject the Academy's deposits to a successful claim by the FDIC. The Academy has no deposit policy for custodial credit risk.

The Academy's investments at June 30, 2014 and 2013 consisted of marketable securities held by an investment firm's agent.

The Academy's investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer, up to a maximum of \$500,000, including up to \$100,000 on claims for cash (as distinction from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Investments: Marketable securities as of June 30 consisted of funds and stock valued as follows:

	2014				
	Fair Value	Purchases	Sales	Unrealized	Fair Value
	Beg. of Year	At Cost	At Cost	Gain (Loss)	
International Equity Mutual Funds	\$ 58,050	\$ 25,700	\$ 20,572	\$ 39,268	\$ 102,446
Equity Mutual Funds	108,614	28,900	1,745	(18,662)	117,107
Fixed Mutual Funds	18,798	0	21,754	7,401	4,445
Common Stock	21,434	0	0	(2,316)	19,118
	<u>\$ 206,896</u>	<u>\$ 54,600</u>	<u>\$ 44,071</u>	<u>\$ 25,691</u>	<u>\$ 243,116</u>
	2013				
	Fair Value	Purchases	Sales	Unrealized	Fair Value
	Beg. of Year	At Cost	At Cost	Gain (Loss)	
International Equity Mutual Funds	\$ 34,311	\$ 24,700	\$ 3,603	\$ 2,642	\$ 58,050
Equity Mutual Funds	98,012	13,500	11,767	8,869	108,614
Fixed Mutual Funds	26,937	0	8,692	553	18,798
Common Stock	20,242	0	0	1,192	21,434
	<u>\$ 179,502</u>	<u>\$ 38,200</u>	<u>\$ 24,062</u>	<u>\$ 13,256</u>	<u>\$ 206,896</u>

Common stock had Moody's credit quality rating of A1 as of June 30, 2014 and 2013. Mutual funds credit quality ratings were not available.

NOTE D – STATE AND FEDERAL GRANTS RECEIVABLE

Receivables at June 30, 2014 and 2013 consisted of state and federal grants and other miscellaneous income. All state and federal grants are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE E – RISK MANAGEMENT – CONTINUED

Property and Liability: The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal years 2014 and 2013, the Academy contracted with Philadelphia Insurance Companies for property and general liability insurance with a \$3,000,000 aggregate limit. Settled claims have not exceeded insurance coverage in any of the past three years. During the year ended June 30, 2013, the School received an insurance recovery payment of \$41,427 for an employee theft claim made in prior year.

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

Employee Medical, Dental, and Vision Benefits: The Academy has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits and life insurance. The Academy paid premium, up to \$644 per month per employee, for this coverage.

NOTE F – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853. It is also posted 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 the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2014, 2013 and 2012, 13.1%, 13.1%, and 12.7% of annual covered salary were the portions used to fund pension obligations.

The remaining 0.9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$31,035, \$24,953, and \$30,037, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE F—DEFINED BENEFIT PENSION PLANS—CONTINUED

State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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 Plan 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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal years ended June 30, 2014, 2013 and 2012, plan members were required to contribute 11%, 10%, and 10%, respectively, of their annual covered salaries. The Academy was required to contribute 14%; 13% 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% for members and 14% for employers.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE F – DEFINED BENEFIT PENSION PLANS – CONTINUED

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012, were \$89,260, \$68,824, and \$161,694, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, there were no members of the governing board that elected Social Security.

NOTE G – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Academy participates in two costs sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS at 300 East Broad Street, Suite 100, Columbus, OH 43215-3746. It is also posted on SERS' website at 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% covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2014, 2013 and 2012, 0.14%, 0.16%, and 0.55% respectively of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, 2013, and 2012, this amount was \$20,250, \$20,525, and \$35,800, respectively. During fiscal years 2014, 2013, no surcharges were paid. The Academy paid surcharges of \$3,292 in 2012.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE G—POST EMPLOYMENT BENEFITS - CONTINUED

School Employees Retirement System

The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$332, \$305, and \$1,301, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, 2013 and 2012, the actuarially required allocation was 0.76%, 0.74%, and 0.75% of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,800, \$1,410, and \$1,774 respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

State Teachers Retirement System

Plan Description - 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.

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, 2013 and 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,866, \$5,294, and \$12,438, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

NOTE H—CONTINGENCIES

Grants: The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE H—CONTINGENCIES - CONTINUED

Enrollment FTE: The Ohio Department of Education conducts reviews of enrollment 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 conclusions of this review could result in state funding being adjusted. For fiscal years 2014 and 2013 these reviews resulted in no adjustments.

Litigation: The School is party to legal proceedings. The School is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School.

NOTE I—LEASE COMMITMENTS

Operating Lease: As of August 1, 2009, the Academy entered into a three-year lease with Charter Development Foundation, Inc. (a related party) for the use of classrooms and office space. This lease commenced on August 1, 2009. Annual rent for the use of these facilities is \$358,897 payable in monthly installments of \$29,908. The Academy is responsible for paying all taxes, utilities and maintenance costs. On July 1, 2013, the Academy renewed this lease for an additional three years, expiring June 30, 2016.

Total rent expense was \$358,897 for both years ended June 30, 2014 and 2013. Future minimum rental payments as of June 30, 2014, are as follows:

2015	\$	358,897
2016		358,897
	\$	<u>717,794</u>

As of December 30, 2013, the Academy entered into a 38 month lease for use of a van to transport students. Annual payments on the lease are \$3,348, payable in monthly installments of \$279. Future minimum lease payments as of June 30, 2014, are as follows:

2015	\$	3,348
2016		3,348
2017		2,500
	\$	<u>9,196</u>

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE I—LEASE COMMITMENTS - CONTINUED

Capital Lease: The lease agreement with Toshiba Business Solutions is for three copiers totaling \$40,956 with related accumulated depreciation in the amount of \$18,430 for the year ended June 30, 2013. This agreement was expired in June 2013. In July 2013, the Academy entered into a sixty-three-month lease agreement with Toshiba Business Solution for three copiers and four tablets totaling \$102,051, with monthly payment of \$2,111. As of June 30, 2014, accumulated depreciation related to the leased equipment was \$9,355. This lease expires in November 2018.

Future minimum capital lease payments as of June 30, 2014, are as follows:

2015	\$ 25,333
2016	25,333
2017	25,333
2018	25,333
2019	6,333
Total minimum lease payments	<u>107,665</u>
Less: Amount representing interest	<u>(21,014)</u>
Present value of minimum lease payments	<u>\$ 86,651</u>

NOTE J—RELATED PARTY TRANSACTIONS

The Academy has several leases with Charter Development Foundation, Inc., a not-for-profit organization. (See Note I.)

At June 30, 2014, the Academy has a due from related party in the amount of \$1,303 from Akros Middle School, a not-for-profit organization established. Akros Middle School did not begin operations until fiscal year 2012. The balance resulted from the Academy paying net expenses for Akros during the year. At June 30, 2013, the payable resulted from the Academy insurance reimbursement net of expenses in the amount of \$18,976 for Akros during 2013.

NOTE K—RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. Such reclassifications had no effect on previously reported net income.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

June 30, 2014 and 2013

NOTE L— IMPLEMENTATION OF NEW ACCOUNTING STANDARD

GASB Statement Number 66, Technical Corrections - 2012 - an amendment of GASB Statement No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement Number 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013.

GASB Statement Number 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013.

For fiscal year 2013, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements." GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

For fiscal year 2013, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No. 63 established standards for the reporting of net position which was previously referred to as net assets. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

For fiscal year 2013, the Academy has also implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities". GASB Statement No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The aforementioned Statements have been implemented and did not have an effect on the School's financial statements.

JAMES G. ZUPKA, C.P.A., INC.
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**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 Members of the Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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 Edge Learning, Inc., dba The Edge Academy, Summit 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 Edge Learning, Inc., dba The Edge Academy, Ohio's basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edge Learning, Inc., dba The Edge Academy, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edge Learning, Inc., dba The Edge Academy, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Edge Learning, Inc., dba The Edge Academy, 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 Academy'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 Edge Learning, Inc., dba The Edge Academy, 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 Edge Learning, Inc., dba The Edge Academy, 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 Academy'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=sjzcpa@bkglobal.net, c=US
Date: 2015.12.30 13:04:02 -05'00'

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

December 18, 2015

EDGE LEARNING, INC.
dba THE EDGE ACADEMY
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?
Finding No. 2012/2013-001	Material Weakness /Non-compliance - GAAP Reporting	Yes
Finding No. 2012/2013-002	Significant Deficiency - Payroll Service	Yes

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

JAMES G. ZUPKA, C.P.A., INC.
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**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

To the Board of Directors:

Ohio Revised 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 Edge Learning, Inc., dba The Edge Academy (the Academy), Summit County, Ohio, has updated its anti-harassment policy in accordance with Ohio Revised 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. As of our report date of December 18, 2015, the Academy’s anti-harassment policy did not include the following requirements from Ohio Revised Code Section 3313.666(B):
 - a. A procedure for documenting any prohibited incident that is reported;
 - b. A requirement that the Academy administration semi-annually provide the President of the Academy’s Board a written summary of all reported incidents and post the summary on its web site. If the Academy has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, Section 20 U.S.C. 1232g, as amended.
2. We noted that the Academy did not amend its anti-harassment policy to prohibit harassment, intimidation, or bullying on a school bus. We also noted that the policy did not include the electronic form and violence within a dating relationship within its definition of harassment, intimidation, or bullying. Ohio Revised Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

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 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.

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

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: 2015.12.30 13:05:04 -05'00'

December 18, 2015



Dave Yost • Auditor of State

EDGE ACADEMY

SUMMIT 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 12, 2016**