

Hope Academy Northcoast Campus Cuyahoga County, Ohio

*Reports Issued Pursuant to
Government Auditing Standards
And OMB Circular A-133*

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

Board of Directors
Hope Academy Northcoast Campus
4310 East 71st Street
Cleveland, Ohio 44105

We have reviewed the *Independent Auditor's Report* of the Hope Academy Northcoast Campus, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Northcoast Campus is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 18, 2016

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**Hope Academy Northcoast Campus
Cuyahoga County, Ohio**

Reports Issued Pursuant to Government Auditing Standards and OMB Circular A-133

June 30, 2015

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December 31, 2015

To the Board of Directors
Hope Academy Northcoast Campus
Cuyahoga County, Ohio
4310 East 71st Street
Cleveland, OH 44105

Independent Auditor's 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*

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 the Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 31, 2015, in which we noted the School restated the June 30, 2014 net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*."

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 entity'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 the School'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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Cambridge, Ohio

December 31, 2015

To the Board of Directors
Hope Academy Northcoast Campus
Cuyahoga County, Ohio
4310 East 71st Street
Cleveland, OH 44105

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited the Hope Academy Northcoast Campus', Cuyahoga County, Ohio (the School) compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hope Academy Northcoast Campus
Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133
Page 3 of 3

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated December 31, 2015, which contained an unmodified opinion on those financial statements, wherein we noted the School District restated the June 30, 2014 net position to account for the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hea & Associates, Inc.

Cambridge, Ohio

**HOPE ACADEMY NORTHCOAST CAMPUS
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grantor/ Pass-Through Grantor/ Program Title | CFDA # | Grant Year | Revenues | Expenses |
|---|--------|------------|-------------------|-------------------|
| U. S. Department of Education | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I | 84.010 | 2015 | \$ 308,167 | \$ 308,167 |
| Special Education IDEA Part B | 84.027 | 2015 | 65,123 | 65,123 |
| Improving Teacher Quality | 84.367 | 2015 | 2,836 | 2,836 |
| <i>Total U.S. Department of Education</i> | | | <u>376,126</u> | <u>376,126</u> |
| U. S. Department of Agriculture | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| School Breakfast Program | 10.553 | 2015 | 33,945 | 33,945 |
| National School Lunch Program | 10.555 | 2015 | 129,181 | 129,181 |
| <i>Total Child Nutrition Cluster</i> | | | <u>163,126</u> | <u>163,126</u> |
| <i>Total U.S. Department of Agriculture</i> | | | <u>163,126</u> | <u>163,126</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u>\$ 539,252</u> | <u>\$ 539,252</u> |

The accompanying notes are an integral part of this schedule.

**HOPE ACADEMY NORTHCOAST CAMPUS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the School's federal awards programs. This schedule has been prepared using the accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. During the fiscal year ended June 30, 2015, the School received no food commodities inventory.

NOTE C - TRANSFERS

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2015, ODE authorized the following transfers:

| | | <u>Transfer Out</u> | <u>Transfer In</u> |
|--------------------------------------|------|---------------------|--------------------|
| 84.010 Title I Grants | 2014 | \$ 43,432 | |
| 84.010 Title I Grants | 2015 | | \$ 43,432 |
| 84.367 Improving Teacher Quality | 2014 | 11 | |
| 84.367 Improving Teacher Quality | 2015 | | 11 |
| 84.027 Special Education IDEA Part B | 2014 | 1,291 | |
| 84.027 Special Education IDEA Part B | 2015 | | 1,291 |

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , SECTION .505
FOR THE YEAR ENDED JUNE 30, 2015**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|----------------|--|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unmodified |
| (d) (1) (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d) (1) (iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d) (1) (vi) | Are there any reportable findings under Section .510? | No |
| (d) (1) (vii) | Major Programs (list): Title I | CFDA # 84.010 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | Yes |

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

None were noted.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None were noted.

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015



HOPEACADEMIES

There is HOPE
for every child

Hope Academy Northcoast Campus

Cleveland, Ohio

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**Hope Academy Northcoast Campus
Cleveland, Ohio**

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2015**

Prepared by Brian G. Adams MBA, CMA, CFM, CrFA

HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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Introductory Section

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www.hope-academies.com

December 31, 2015

Hope Academy Northcoast Campus Community
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Hope Academy Northcoast Campus (the School) for the fiscal year ended June 30, 2015. The CAFR is designed to assist and guide the reader in understanding its contents. The report consists of three major sections:

Introductory Section The Introductory Section includes the Transmittal Letter, a list of our Board members, an organizational chart, and GFOA Certificate of Achievement.

Financial Section The Financial Section consists of the Independent Auditor's Report, Required Supplemental Information, and the Basic Financial Statements as well as the Notes to the Basic Financial Statements that provide an overview of the School's financial position and operating results.

Statistical Section The Statistical Section includes selected financial and demographic information about the School on a multi-year basis.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework of internal controls that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS). Rea & Associates, Inc. rendered an opinion on the School's financial statements as of June 30, 2015 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

As required by GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2015 and the outlook for the future.

Profile of the Government

Ohio charter schools began operating after the passage of a 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. Effective July 1, 2005, the School entered into a contract with a sponsor, St. Aloysius Orphanage. St. Aloysius Orphanage provides oversight and advisory services to 43 community schools throughout the State serving over 10,000 children.

Hope Academy Northcoast Campus is an elementary school offering grades K-8. The School, which first opened its doors in August of 2002 is located in Cleveland, Ohio and is run by a five member Board of Directors. The School has contracted with HA Northcoast, LLC, a subsidiary of White Hat Management, LLC to operate the School on a day-to-day basis. White Hat Management is a national leader in professional education management that operates 34 schools in three states under the auspices of three separate educational ventures. The Company has managed the School since its inception.

Economic Issues

Since the enactment of community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see Statistical Section for historical funding levels). Historically, the School has seen an increase in the base level per pupil funding amount. However, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities that they operate in. By comparison, the Cleveland Municipal School District receives over \$20,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Cleveland) receives only \$ 9762 from all sources. These disparities in funding are in part, the reason why contracting with a professional educational management firm like White Hat Management was an attractive option. By managing multiple schools, the Company is able to gain operational efficiencies that are more difficult to achieve in a stand-alone school. In June 2011, the School renewed its management agreement with White Hat and its affiliates. (See Note 7 for a full description of services provided by the Company.)

As discussed later, the School was funded on 296 full-time equivalent students for fiscal year 2015. As of the date of this letter, it is expected that the School will maintain that enrollment with the possibility of a slight decline consistent with declines seen in other Hope Academies throughout the State. Obviously, any decline in enrollment would have a direct corresponding impact to current year revenues.

As a result of legislative changes, management companies that operate schools in the State of Ohio are required to provide more disclosure on how monies paid by the School to the company are spent. Auditor of State Bulletin No. 2004-009 provided the guidelines of how management companies are expected to comply with this provision and Note 8 to the basic financial statements under the Financial Section includes the required information for fiscal year ended June 30, 2015.

Awards and Acknowledgements

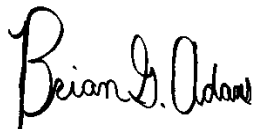
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hope Academy Northcoast Campus for its CAFR for the year ended June 30, 2014. The School has received the award annually since 2004. The School was also acknowledged by the Ohio Department of Education as being one of the first community schools in the State to ever receive such an award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and effectively organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report, which is included herein, will conform to the high standards required by the Certificate of Achievement program.

The Comprehensive Annual Financial Report was prepared by the fiscal management team for the School. Their commitment to this process has helped to make this report possible. We would also like to thank Ms. Vance and other members of the Board of Directors and Finance Committee for their support in this endeavor. It is truly appreciated.

Finally, we would like to thank our School community for entrusting us with the education of your children. You are the reason we are here. We are committed to bettering our students, their parents, and the communities we serve by providing the very best alternative in public education.

Sincerely,



Brian G. Adams MBA, CMA, CFM, CrFA
Fiscal Officer/Internal Auditor
Hope Academy Northcoast Campus



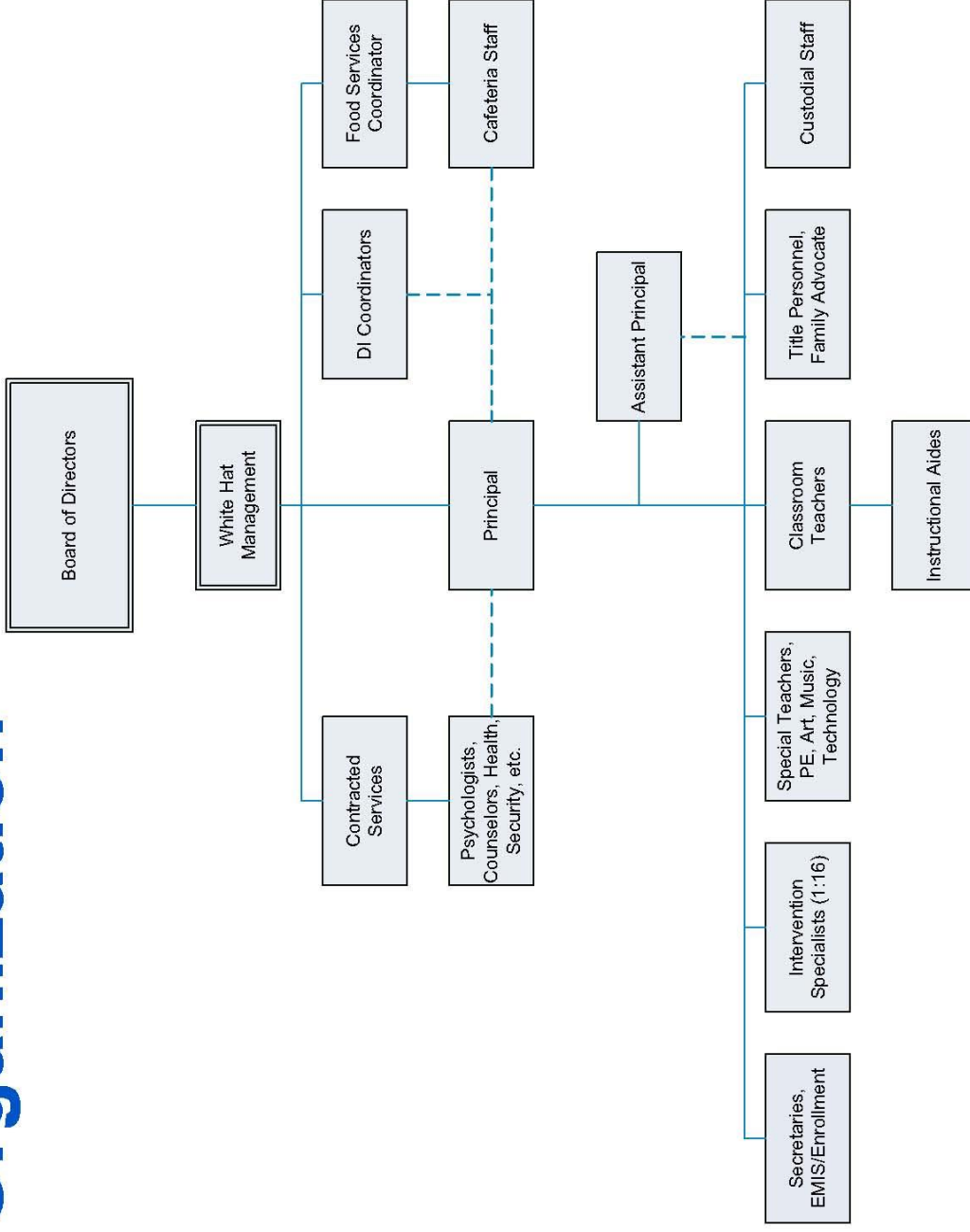
Clifford King
President, Board of Directors
Hope Academy Northcoast Campus

Hope Academy Northcoast Campus
Board of Directors
June 30, 2015

Clifford King
Prince Meredith
Brenda Dixon
Dorothy Curtis
Elain Vance

Board President
Board Member
Board Member
Board Member
Board Member

Organization



There is HOPE for every child



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Hope Academy Northcoast Campus
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section

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December 31, 2015

To the Board of Directors
Hope Academy Northcoast Campus
Cuyahoga County, Ohio
4310 East 71st Street
Cleveland, OH 44105

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Hope Academy Northcoast Campus, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of a Matter

As described in Note 14, the School restated the June 30, 2014 net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of the School's Proportionate Share of the Net Pension Liability, and Schedule of the School's Contributions on pages 3-8, 31, and 32, respectively, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015 on our consideration of the School'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 the School's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Cambridge, Ohio

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)**

The discussion and analysis of the Hope Academy Northcoast Campus' (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net position increased \$65,084, which represents a 2.6 percent increase from 2014. This increase is due to the increase in State Aid.
- Total assets increased \$35,864, which represents a 23.4 percent increase from 2014. This was primarily due to an increase in Cash from operations.
- Liabilities decreased \$450,190, which represents a 15.6 percent decrease from 2014. The decrease in liabilities is primarily due to a decrease in Net Pension Liability.

Using this Financial Report

This report consists of three parts, the required supplementary information, 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 School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2015. This statement includes all assets, deferred inflows of resources, liabilities, and deferring outflows of resources 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.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)**

Table 1 provides a summary of the School's Net Position for fiscal years 2015 and 2014.

(Table 1)
Statement of Net Position

| | 2015 | Restated 2014 |
|------------------------------|---------------|------------------|
| Assets | | |
| Current Assets | \$ 189,332 | \$ 142,410 |
| Non-Current Assets | - | 11,058 |
| Total Assets | 189,332 | 153,468 |
| Deferred Outflows | | |
| Pension Requirements | 213,449 | 192,266 |
| Liabilities | | |
| Current Liabilities | 44,099 | 34,091 |
| Long Term Liabilities | 2,391,227 | 2,840,367 |
| Total Liabilities | 2,435,326 | 2,874,458 |
| Deferred Inflows | | |
| Pension Requirements | 431,095 | - |
| Net Position | | |
| Investment in Capital Assets | - | 11,058 |
| Unrestricted | (2,463,640) | (2,539,782) |
| Total Net Position | \$(2,463,640) | \$(2,528,724) |

- Total assets increased \$35,864, which represents a 23.4 percent increase from 2014. This was primarily due to an increase in Cash from operations. Liabilities decreased \$439,132, which represents a 15.3 percent decrease from 2014. The decrease in liabilities is primarily due to a decrease in Net Pension Liability.

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal years 2015 and 2014, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)**

Table 2 shows the changes in net position ended June 30, 2015, as compared to changes reported for fiscal year 2014.

(Table 2)
Change in Net Position

| | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| OPERATING REVENUES | | |
| State Aid | \$ 2,304,572 | \$ 2,217,441 |
| Casino Aid | 14,420 | 15,131 |
| Facilities Aid | 26,602 | 26,004 |
| NON-OPERATING REVENUE | | |
| Grants | 543,988 | 508,380 |
| Interest Income | 116 | 93 |
| Miscellaneous | - | 2,262 |
| Total Revenues | 2,889,698 | 2,769,311 |
| OPERATING EXPENSES | | |
| Purchased Services: Management Fees | 2,128,664 | 2,086,434 |
| Purchased Services: Grant Programs | 543,988 | 508,380 |
| Sponsorship Fees | 69,400 | 66,523 |
| Legal | 14,633 | 16,390 |
| Auditing and Accounting | 30,915 | 29,365 |
| Insurance | 207 | 1,399 |
| Board of Education | 17,346 | 14,682 |
| Depreciation | 11,058 | 31,216 |
| Miscellaneous | 8,403 | 5,230 |
| Total Expenses | 2,824,614 | 2,759,619 |
| Change in Net Position | \$ 65,084 | \$ 9,692 |

The primary reason for the increase in overall revenues from 2014 was the increase in state aid. The School's most significant expense, "Purchased Services – Management Fees" increased as well because of the management agreement in place between the School and WHLS. As stated previously, the agreement provides that specific percentages of the revenues received by the School will be paid to WHLS to fund operations. (See Notes to the Basic Financial Statements, Note 7)

During 2015, the School adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$119,377 to \$(2,528,724).

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$192,266 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68,

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)**

the 2015 statements report pension expense of \$151,755. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | | |
|--|----|-----------|
| Total 2015 program expenses under GASB 68 | \$ | 2,824,614 |
| Pension expense under GASB 68 | | (151,755) |
| 2015 contractually required contribution | | 190,983 |
| Adjusted 2015 program expenses | | 2,863,842 |
| Total 2014 program expenses under GASB 27 | | 2,759,619 |
| Increase in program expenses not related pension | \$ | 104,223 |

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets

At the end of fiscal year 2015 the School had \$0, invested in capital assets, which represents a decrease of \$11,058 from 2014 as shown below:

(Table 3)
Capital Assets (Net of Depreciation)

| | 2015 | 2014 |
|------------------------|------|-----------|
| Leasehold Improvements | \$ - | \$ 11,058 |
| Totals | \$ - | \$ 11,058 |

For more information on capital assets, see Note 5 in the Notes to the Basic Financial Statements.

Current Financial Issues

The Hope Academy Northcoast Campus received revenue for 296 students in 2015 (an increase from 2014 of 13) 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 School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$7,924 in fiscal year 2015. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage (SAO) as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. In June 2011, the School extended its contract with SAO through June 30, 2014. The school renewed its contract for the time period of July 1, 2014 through June 30, 2015. SAO will be paid three percent (3%) remainder of the contractual period of all funds received by the School from the State of Ohio. In June 2015, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2017. The school may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)**

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Brian G. Adams, Fiscal Officer for the Hope Academy Northcoast Campus, 65 E. Wilson Bridge Road, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets

| | |
|------------------------------|------------|
| Cash and Cash Equivalents | \$ 148,607 |
| Intergovernmental Receivable | 38,292 |
| Grants Receivable | 2,433 |

Total Assets 189,332

DEFERRED OUTFLOWS OF RESOURCES

| | |
|----------------------|----------------|
| Pension Requirements | <u>213,449</u> |
|----------------------|----------------|

LIABILITIES

Current Liabilities

| | |
|---------------------------|---------------|
| Accounts Payable | 3,024 |
| State Funding Payable | 8,747 |
| Grants Funding Payable | 2,433 |
| Continuing Fees Payable | 29,895 |
| Total Current Liabilities | <u>44,099</u> |

Long-Term Liabilities:

| | |
|-----------------------|------------------|
| Net Pension Liability | <u>2,391,227</u> |
|-----------------------|------------------|

Total Liabilities 2,435,326

DEFERRED INFLOWS OF RESOURCES

| | |
|----------------------|----------------|
| Pension Requirements | <u>431,095</u> |
|----------------------|----------------|

NET POSITION

| | |
|--------------|--------------------|
| Unrestricted | <u>(2,463,640)</u> |
|--------------|--------------------|

Total Net Position \$(2,463,640)

See accompanying notes to the basic financial statements

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES

| | |
|----------------|---------------|
| State Aid | \$ 2,304,572 |
| Casino Aid | 14,420 |
| Facilities Aid | <u>26,602</u> |

Total Operating Revenues 2,345,594

OPERATING EXPENSES

| | |
|-------------------------------------|--------------|
| Purchased Services: Management Fees | 2,128,664 |
| Purchased Services: Grant Programs | 543,988 |
| Sponsorship Fees | 69,400 |
| Legal | 14,633 |
| Auditing and Accounting | 30,915 |
| Insurance | 207 |
| Board of Education | 17,346 |
| Depreciation | 11,058 |
| Miscellaneous | <u>8,403</u> |

Total Operating Expenses 2,824,614

Operating Loss (479,020)

NON-OPERATING REVENUE

| | |
|-----------------|------------|
| Grants | 543,988 |
| Interest Income | <u>116</u> |

Total Non-Operating Revenue 544,104

Change in Net Position 65,084

Net Position Beginning of Year-Restated (see Note 14) (2,528,724)

Net Position End of Year \$ (2,463,640)

See accompanying notes to the basic financial statements

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Cash Received from State of Ohio | \$ 2,345,594 |
| Cash Payments to Suppliers for Goods and Services | <u>(2,881,068)</u> |
| Net Cash Used For Operating Activities | <u>(535,474)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Cash Received from Grants | <u>574,511</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>574,511</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|------------|
| Cash Received from Interest on Investments | <u>116</u> |
|--|------------|

Net Increase in Cash and Cash Equivalents 39,153

Cash and Cash Equivalents Beginning of Year 109,454

Cash and Cash Equivalents End of Year \$ 148,607

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

Operating Loss \$ (479,020)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation 11,058

Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:

| | |
|------------------------------|----------------|
| Intergovernmental Receivable | (38,292) |
| Accounts Payable | 1,889 |
| State Funding Payable | 8,747 |
| Grants Payable | (30,523) |
| Continuing Fee Payable | 29,895 |
| Net Pension Liability | (449,140) |
| Deferred Outflows | (21,183) |
| Deferred Inflows | <u>431,095</u> |

Net Cash Used For Operating Activities \$ (535,474)

See accompanying notes to the basic financial statements

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**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Hope Academy Northcoast Campus (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with HA Northcoast, LLC for most of its functions (see note 7). HA Northcoast, LLC is under the ownership of White Hat Ventures, LLC. During the year, ownership of HA Northcoast, LLC transferred to ACCEL Schools Ohio, LLC. This transfer of ownership did not have an effect on the relationship between the School and HA Northcoast, LLC (see note 15).

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with a sponsor, Saint Aloysius Orphanage (Sponsor), to operate for a period from July 1, 2005 through June 30, 2011. In June 2011, the school signed a new 3-year agreement for services. The school renewed and signed a new two-year contract on May 30, 2013, ending June 30, 2015. In June 2015, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2017. The school may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 facility is staffed with teaching personnel employed by WHLS, who provide services to 296 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 School's accounting policies are described below.

A. Basis of Presentation

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

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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, deferred outflows of resources, all liabilities, and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in Net Position. 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 traditional 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 School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2015. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account, certificates of deposit, a money market account, and STAROhio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. During fiscal year 2015, investments were limited to the State Treasurer's Investment Pool (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2015.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Intergovernmental Revenues (Continued)

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2015 school year totaled \$2,899,582.

F. Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation at \$0. Depreciation is computed by the straight-line method over five years for "Equipment," three years for "Computers and Software," and five to twenty years for "Leasehold Improvements".

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS. (See Note 7)

G. Use of Estimates

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

H. Net Position

Net Position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net Position are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State, Facility Aid, Casino Aid and facilities payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 9).

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all School deposits was \$148,555, and its bank balance was \$152,722. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the School's bank balance of \$152,722 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2015, the School had the following investments and maturities:

| <u>Investment Type</u> | <u>Balance at Fair Value</u> | <u>Investment Maturities</u> | | |
|------------------------|----------------------------------|------------------------------|---------------------------|-----------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>Greater than 12 months</u> |
| STAROhio | \$52 | \$52 | \$ - | \$ - |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days.

Credit Risk: The School's investments at June 30, 2015 in StarOhio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2015:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Percent to Total</u> |
|------------------------|-------------------|-------------------------|
| STAROhio | \$52 | 100.00 |

4. RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of \$2,433 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2015.

Additionally, under the terms of the management agreement (See Note 7), the School has recorded "Grants Funding Payable" to WHLS in the amount of \$2,433 for 100 percent of any State and Federal monies uncollected or unpaid to WHLS as of June 30, 2015.

The school has also recorded Intergovernmental Receivable of \$38,292 due from School Employees Retirement and State Funding Payable of \$8,747 due to ODE from overpayments of State Aid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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5. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2015, the School's capital assets consisted of the following:

| | Balance | | | Balance |
|--|------------------|-------------------|------------------|------------------|
| | 6/30/2014 | Additions | Deletions | 6/30/2015 |
| Capital Assets Being Depreciated | | | | |
| Equipment | \$ 45,571 | \$ - | \$ - | \$ 45,571 |
| Computers and Software | 7,250 | - | - | 7,250 |
| Leasehold Improvements | <u>307,163</u> | - | - | <u>307,163</u> |
| Total Assets Being Depreciated | <u>359,984</u> | - | - | <u>359,984</u> |
| Less: Accumulated Depreciation | | | | |
| Equipment | (45,570) | - | - | (45,570) |
| Computers and Software | (7,250) | - | - | (7,250) |
| Leasehold Improvements | <u>(296,106)</u> | <u>(11,058)</u> | - | <u>(307,164)</u> |
| Total Assets Being Depreciated | <u>(349,722)</u> | <u>(11,058)</u> | - | <u>(359,984)</u> |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET | <u>\$ 11,058</u> | <u>\$(11,058)</u> | <u>\$ -</u> | <u>\$ -</u> |

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 7). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$2,500 deductible.

7. AGREEMENT WITH WHLS/EMO

Effective November 1, 2005, the School entered into a multi-year Management Agreement (Agreement) with WHLS (through its subsidiary HA Northcoast, LLC), which is an educational consulting and management company. The Agreement's term ran through June 30, 2008, was renewed for one year term ending June 30, 2009, and will renew for an additional one year term ending on June 30, 2011. In June 2011, the school signed a new 3 year agreement for services. Substantially all functions of the School have been contracted to WHLS. In July 2014, the school signed an amended and restated agreement by and between the Educational Management Organization, HA Northcoast, LLC (the EMO) and the governing authority. The EMO is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 93 percent. "Continuing Fees" are defined in the Agreement as, "...the revenue per student received by the School from the State of Ohio Department of Education pursuant to Title 33 and other provisions of the Ohio Revised Code...". With regard to grant funding, the agreement reads as follows: "Federal Title Programs, lunch programs revenue, and other such federal, state and local government grant funding designated to compensate the school for the education of its students shall be fully paid to the Company." The continuing fee is paid to EMO based on the previous month's qualified gross revenues". As such, EMO receives 93 percent of "State Aid" (see note 2 E) and 100 percent of all other federal, state, and local grants. The School retains 4 percent of the "State Aid" as well as miscellaneous revenues generated from interest on deposits and donations.

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CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

7. AGREEMENT WITH WHLS/EMO (continued)

The continuing fee is paid to the EMO based on the previous month's qualified gross revenues. The School had purchased service expenses for the year ended June 30, 2015, to EMO of \$2,672,652 and payables to EMO at June 30, 2015 aggregating \$32,328. EMO is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

In May 2015, Accel Schools Ohio, LLC acquired HA Northcoast LLC from WHLS and is now one of its subsidiaries. The contract between the school and the new EMO has not been altered.

8. MANAGEMENT COMPANY EXPENSES

For the year ended May 31, 2015, HA Northcoast, LLC and its affiliates incurred the following expenses on- behalf of the School.

| | 2015 |
|-----------------------------------|--------------------|
| Expenses | |
| Direct Expenses: | |
| Salaries & wages | \$ 776,491 |
| Employees' benefits | 193,207 |
| Professional & technical services | 751,175 |
| Property services | 207,712 |
| Travel | 679 |
| Communications | 21,132 |
| Utilities | 51,433 |
| Transportation | 22,083 |
| Books, periodicals, & films | 14,671 |
| Food & related supplies | 148,507 |
| Other supplies | 73,409 |
| Depreciation | 10,154 |
| Other direct costs | 84,344 |
| Indirect Expenses: | |
| Overhead | 281,178 |
| Total Expenses | \$2,636,205 |

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

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$77,775 for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**HOPE ACADEMY NORTHCOAST CAMPUS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic

benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016.

For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$113,208 for fiscal year 2015.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | STRS | SERS | Total |
|--|--------------|-------------|--------------|
| Proportionate Share of the Net Pension Liability | \$ 1,893,888 | \$ 497,339 | \$ 2,391,227 |
| Proportion of the Net Pension Liability | 0.00778626% | 0.00982700% | |
| Pension Expense | \$ 81,212 | \$ 70,543 | \$ 151,755 |

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | STRS | SERS | Total |
|--|------------|-----------|------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$ 18,233 | \$ 4,233 | \$ 22,466 |
| School contributions subsequent to the measurement date | 113,208 | 77,775 | 190,983 |
| Total Deferred Outflows of Resources | \$ 131,441 | \$ 82,008 | \$ 213,449 |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 350,376 | \$ 80,719 | \$ 431,095 |

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$190,983 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | STRS | SERS | Total |
|-----------------------------|--------------|-------------|--------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$ (83,036) | \$ (19,122) | \$ (102,158) |
| 2017 | (83,036) | (19,122) | (102,158) |
| 2018 | (83,036) | (19,122) | (102,158) |
| 2019 | (83,035) | (19,120) | (102,155) |
| | \$ (332,143) | \$ (76,486) | \$ (408,629) |

E. Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – SERS (continued)

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | <u>15.00</u> | 7.50 |
| | <u>100.00 %</u> | |

F. Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS (Continued)

G. Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School's proportionate share of the net pension liability | \$ 709,555 | \$ 497,339 | \$ 318,847 |

H. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|---|
| Inflation | 2.75 percent |
| Projected salary increase | 2.75 percent at 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| | 100.00 % | |

**HOPE ACADEMY NORTHCOAST CAMPUS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

I. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

J. Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School's proportionate share of the net pension liability | \$ 2,711,307 | \$ 1,893,888 | \$ 1,202,626 |

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description – On behalf of the School, WHLS contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's

SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$9,725, \$13,127 and \$13,414, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$8,551 and \$5,961, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

11. 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 School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Full Time Equivalency

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

12. FEDERAL TAX STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

13. SPONSORSHIP FEES

The School contracted with Saint Aloysius Orphanage (SAO), its sponsor effective July 1, 2005. The school renewed its contract effective July 1, 2013 end June 30, 2015. The School pays the Sponsor three percent of the State Aid. Total fees for fiscal year 2015 were \$69,400. In June 2015, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2017. The school may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

14. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

**HOPE ACADEMY NORTHCOAST CAMPUS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

14. CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

| | |
|--------------------------------------|-----------------------|
| Net Position June 30, 2014 | \$ 119,377 |
| Deferred Outflows of Resources | 192,266 |
| Net Pension Liability | <u>(2,840,367)</u> |
| Restated Net Position, June 30, 2014 | <u>\$ (2,528,724)</u> |

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

15. Change in Management Company Ownership

Effective May 31, 2015, the ownership of HA Northcoast, LLC, (the School's management company) was transferred from White Hat Ventures, LLC to ACCEL Schools Ohio, LLC. With this change in ownership, ACCEL Schools Ohio, LLC assumed the management agreement between the School and HA Northcoast, LLC. The agreement and management of School functions (as provided in note 7) was not impacted by the change in ownership.

Hope Academy Northcoast Campus
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| <i>State Teachers Retirement System (STRS)</i> | | |
| School's proportion of the net pension liability (asset) | 0.00778626% | 0.00778626% |
| School's proportionate share of the net pension liability (asset) | \$ 1,893,888 | \$ 2,255,987 |
| School's covered-employee payroll | \$ 855,138 | \$ 596,062 |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 221.47% | 378.48% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 69.30% |
| | | |
| <i>School Employees Retirement System (SERS)</i> | | |
| School's proportion of the net pension liability (asset) | 0.00982700% | 0.00982700% |
| School's proportionate share of the net pension liability (asset) | \$ 497,339 | \$ 584,380 |
| School's covered-employee payroll | \$ 585,123 | \$ 331,467 |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 85.00% | 176.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% | 65.52% |

(1) Information prior to 2013 is not available.

Hope Academy Northcoast Campus
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of School's Contributions
Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| State Teachers Retirement System (STRS) | | | | | | | | | | |
| Contractually Required Contribution | \$ 113,208 | \$ 111,168 | \$ 77,488 | \$ 78,632 | \$ 88,967 | \$ 95,436 | \$ 97,140 | \$ 95,392 | \$ 91,033 | \$ 97,194 |
| Contributions in Relation to the Contractually Required Contribution | (113,208) | (111,168) | (77,488) | (78,632) | (88,967) | (95,436) | (97,140) | (95,392) | (91,033) | (97,194) |
| Contribution deficiency (excess) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| School's covered-employee payroll | \$ 808,629 | \$ 855,138 | \$ 596,062 | \$ 604,862 | \$ 684,362 | \$ 734,123 | \$ 747,231 | \$ 733,785 | \$ 700,254 | \$ 747,646 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| School Employees Retirement System (SERS) | | | | | | | | | | |
| Contractually required contribution | \$ 77,775 | \$ 81,098 | \$ 45,875 | \$ 36,828 | \$ 36,459 | \$ 52,881 | \$ 37,878 | \$ 26,800 | n/a | n/a |
| Contributions in relation to the contractually required contribution | (77,775) | (81,098) | (45,875) | (36,828) | (36,459) | (52,881) | (37,878) | (26,800) | n/a | n/a |
| Contribution deficiency (excess) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | n/a | n/a |
| School's covered-employee payroll | \$ 590,089 | \$ 585,123 | \$ 331,467 | \$ 273,814 | \$ 290,048 | \$ 390,554 | \$ 384,939 | \$ 272,912 | n/a | n/a |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% | n/a | n/a |

n/a - Information prior to 2008 is not available.

Statistical Section

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STATISTICAL SECTION

This part of the **Hope Academy Northcoast Campus'** comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the School's overall financial health.

Contents

Financial Trends

This schedule contains trend information to help the reader understand how the School's overall expenses by class compared with the expenditure per pupil have changed over time.

- Operating Expenses by Category
- State Basic Aid – Per Pupil Funding

Revenue Capacity

This schedule contains information to help the reader assess the affordability of the School's most significant revenue sources the state aid and grants.

- Operating and Non-Operating Revenues

Enrollment Trends

This schedule contains information to help the reader understand the changes in enrollment over time.

- Full-Time Equivalent (FTE) Enrollment

Revenue by Grants Sources

This schedule contains information to help the reader understand the changes in revenues by grant source.

- Grant Revenues by Source

Net Position Trends

This schedule offers information to help the reader understand the funds invested in capital assets versus the unrestricted funds remaining for future expenditures.

- Net Position

Demographic and Economic Information

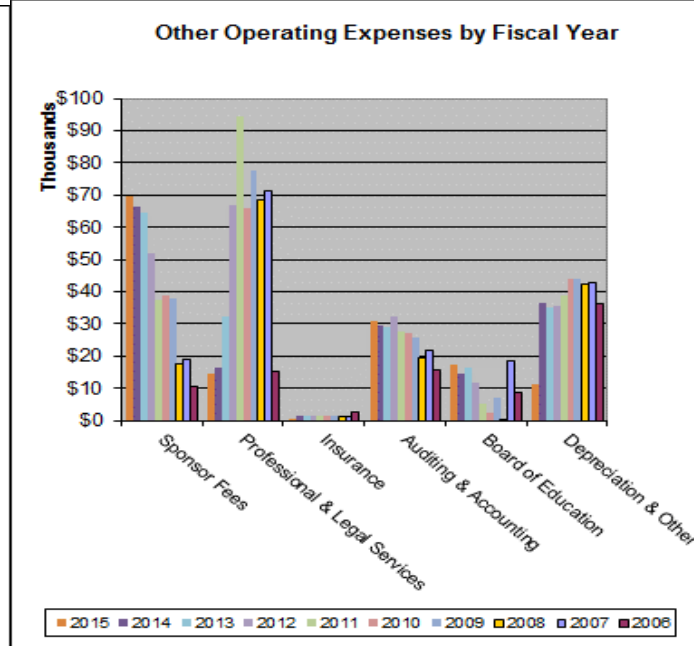
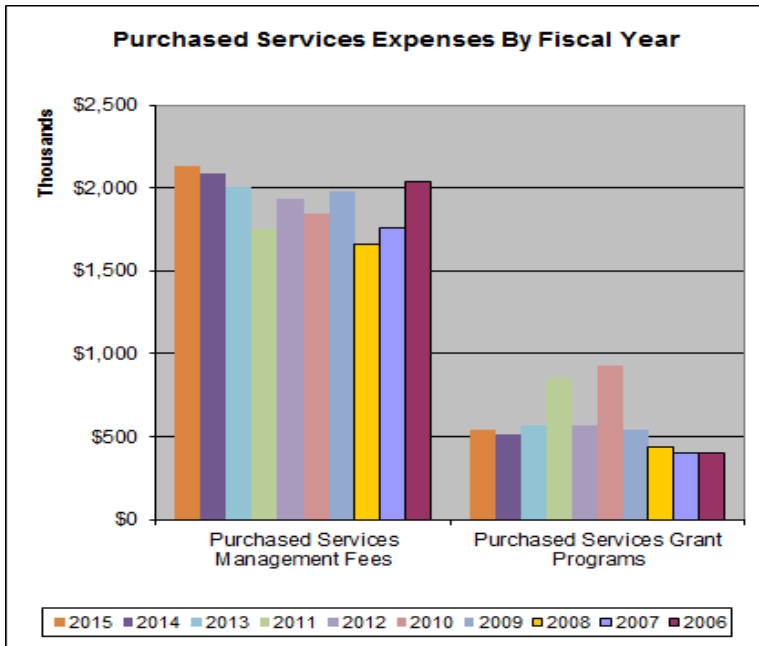
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.

- Student Population by Resident District
- Miscellaneous Statistics
- Principal Employers

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School implemented GASB Statement 34 for the year ended June 30, 2004.

Hope Academy Northcoast Campus Operating Expenses by Category Last Ten Fiscal Years

| Year | Purchased Services Management Fees | Purchased Services Grant Programs | Sponsor Fees | Professional & Legal Services | Insurance | Auditing & Accounting | Board of Education | Depreciation & Other | Total | Enrollment | Per Pupil Expenditure |
|------|------------------------------------|-----------------------------------|--------------|-------------------------------|-----------|-----------------------|--------------------|----------------------|-------------|------------|-----------------------|
| 2015 | \$ 2,128,664 | \$ 543,988 | \$69,400 | \$ 14,633 | \$ 207 | \$ 30,915 | \$ 17,346 | \$ 19,461 | \$2,824,614 | 296 | \$ 9,543 |
| 2014 | \$ 2,086,434 | \$ 508,380 | \$66,523 | \$ 16,390 | \$ 1,399 | \$ 29,365 | \$ 14,682 | \$ 36,446 | \$2,759,619 | 283 | \$ 9,751 |
| 2013 | \$ 2,001,465 | \$ 567,285 | \$64,546 | \$ 32,070 | \$ 1,594 | \$ 28,933 | \$ 16,383 | \$ 35,131 | \$2,747,407 | 290 | \$ 9,474 |
| 2012 | \$ 1,933,420 | \$ 568,949 | \$51,942 | \$ 66,779 | \$ 1,435 | \$ 32,438 | \$ 11,594 | \$ 35,521 | \$2,702,078 | 279 | \$ 9,685 |
| 2011 | \$ 1,753,070 | \$ 858,207 | \$37,613 | \$ 94,511 | \$ 1,461 | \$ 27,696 | \$ 5,029 | \$ 38,949 | \$2,816,536 | 273 | \$ 10,317 |
| 2010 | \$ 1,845,497 | \$ 926,031 | \$38,858 | \$ 65,858 | \$ 1,444 | \$ 27,227 | \$ 2,161 | \$ 43,875 | \$2,950,951 | 282 | \$ 10,479 |
| 2009 | \$ 1,981,037 | \$ 540,661 | \$37,871 | \$ 77,375 | \$ 1,614 | \$ 25,689 | \$ 7,051 | \$ 43,903 | \$2,715,201 | 285 | \$ 9,527 |
| 2008 | \$ 1,656,021 | \$ 438,487 | \$17,739 | \$ 68,283 | \$ 1,390 | \$ 19,594 | \$ 304 | \$ 42,441 | \$2,244,259 | 244 | \$ 9,198 |
| 2007 | \$ 1,755,978 | \$ 402,878 | \$18,795 | \$ 71,313 | \$ 1,390 | \$ 21,555 | \$ 18,354 | \$ 42,576 | \$2,332,839 | 264 | \$ 8,837 |
| 2006 | \$ 2,040,776 | \$ 402,203 | \$10,392 | \$ 15,341 | \$ 2,764 | \$ 15,421 | \$ 8,829 | \$ 36,294 | \$2,532,020 | 298 | \$ 8,497 |



Note 1: The School began enrolling students in FY 03.

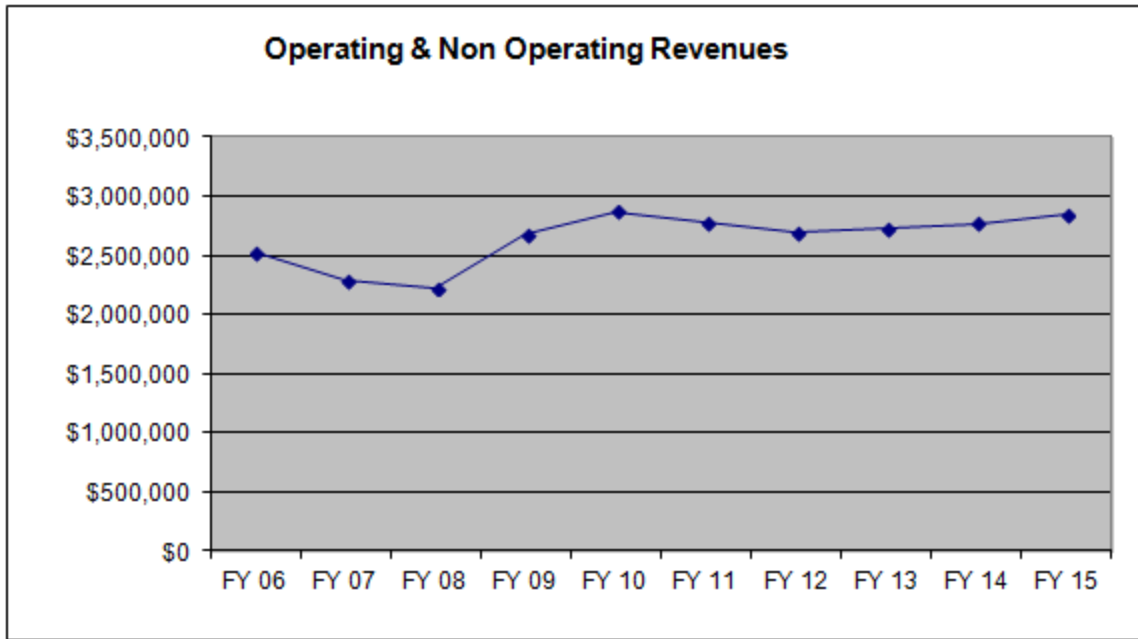
Note 2: The sponsor may contract with the school to receive 3% or less of the amount the State pays to a school annually, solely for the costs of its oversight and monitoring activities.

Note 3: Restatement in FY 08 due to prior period adjustment for grant expenditures.

Source: School Financial Records

Hope Academy Northcoast Campus
Operating and Non-Operating Revenues
Last Ten Fiscal Years

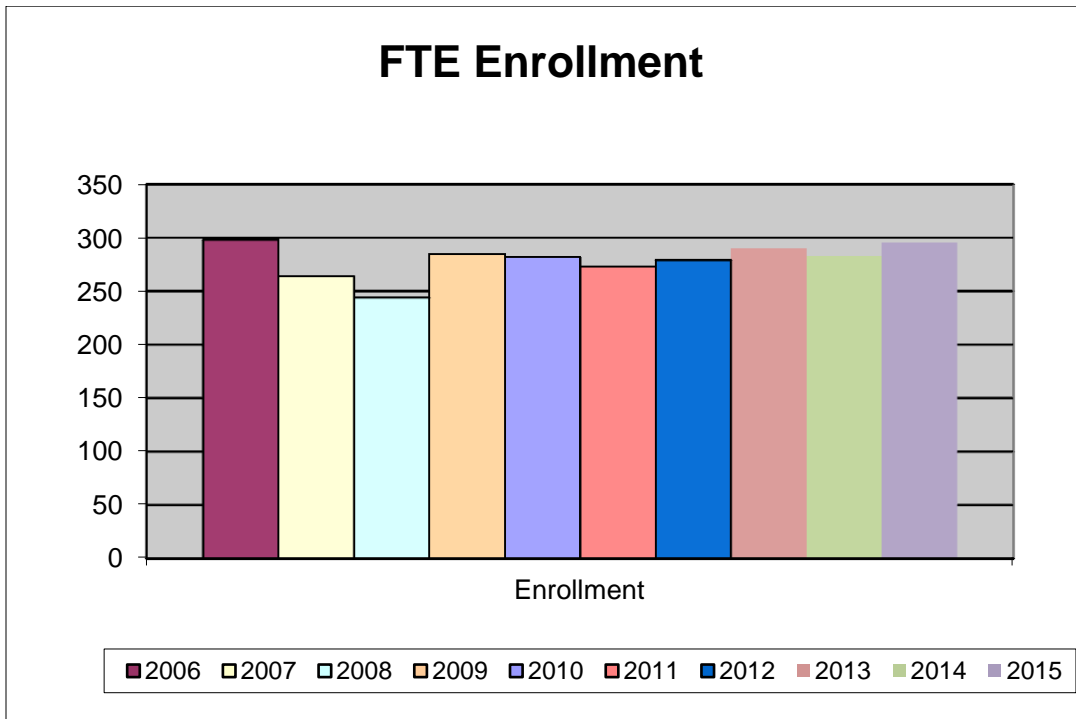
| <u>Year</u> | <u>State Aid</u> | <u>Grants</u> | <u>Other</u> | <u>Total</u> |
|-------------|------------------|---------------|--------------|---------------------|
| 2015 | \$2,345,594 | \$ 543,988 | \$ 116 | \$ 2,889,698 |
| 2014 | \$2,258,576 | \$ 508,380 | \$ 2,355 | \$ 2,769,311 |
| 2013 | \$2,158,241 | \$ 567,285 | \$ 586 | \$ 2,726,112 |
| 2012 | \$2,078,946 | \$ 609,436 | \$ 2,380 | \$ 2,690,762 |
| 2011 | \$1,884,480 | \$ 891,883 | \$ 2,375 | \$ 2,778,738 |
| 2010 | \$1,942,882 | \$ 926,031 | \$ 1,583 | \$ 2,870,496 |
| 2009 | \$2,124,442 | \$ 547,141 | \$ 3,103 | \$ 2,674,686 |
| 2008 | \$1,773,870 | \$ 438,486 | \$ 8,009 | \$ 2,220,365 |
| 2007 | \$1,864,186 | \$ 410,128 | \$10,289 | \$ 2,284,603 |
| 2006 | \$2,119,387 | \$ 402,203 | \$ 8,250 | \$ 2,529,840 |



Source: School Financial Records

Hope Academy Northcoast Campus
Full-Time Equivalent (FTE) Enrollment
Last Ten Fiscal Years

| Year | Enrollment |
|------|------------|
| 2015 | 296 |
| 2014 | 283 |
| 2013 | 290 |
| 2012 | 279 |
| 2011 | 273 |
| 2010 | 282 |
| 2009 | 285 |
| 2008 | 244 |
| 2007 | 264 |
| 2006 | 298 |

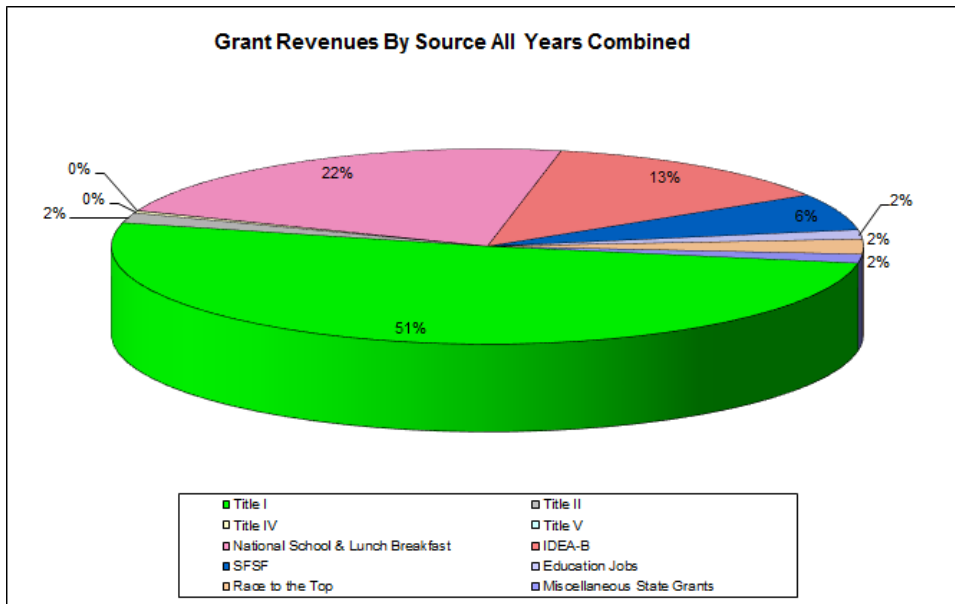


Note: The School began enrolling students in FY 03

Source: School Financial records

Hope Academy Northcoast Campus
Grant Revenues by Source
Last Ten Fiscal Years

| Year | Title I | Title II | Title IV | Title V | National School & Lunch Breakfast | Title VI | State Stabilization | Education Jobs | Race to the Top | Misc State Grants | Total |
|------|-----------|----------|----------|---------|-----------------------------------|-----------|---------------------|----------------|-----------------|-------------------|------------|
| 2015 | \$308,167 | \$ 2,836 | \$ - | \$ - | \$164,310 | \$ 65,123 | \$ - | \$ - | \$ - | \$ 3,552 | \$ 543,988 |
| 2014 | \$225,718 | \$ 2,349 | \$ - | \$ - | \$171,638 | \$ 56,275 | \$ - | \$ - | \$52,400 | \$ - | \$ 508,380 |
| 2013 | \$269,867 | \$ 3,816 | \$ - | \$ - | \$147,445 | \$ 83,126 | \$ - | \$ - | \$59,642 | \$ 3,390 | \$ 567,285 |
| 2012 | \$321,974 | \$ 5,049 | \$ - | \$ - | \$161,508 | \$ 55,240 | \$ - | \$40,463 | \$21,865 | \$ 3,337 | \$ 609,436 |
| 2011 | \$410,120 | \$10,254 | \$1,309 | \$ - | \$124,324 | \$ 98,814 | \$159,260 | \$33,676 | \$36,351 | \$17,775 | \$ 891,883 |
| 2010 | \$511,744 | \$13,002 | \$2,272 | \$ - | \$147,498 | \$110,692 | \$132,336 | \$ - | \$ - | \$ 8,486 | \$ 926,031 |
| 2009 | \$299,602 | \$13,362 | \$2,656 | \$ 229 | \$153,206 | \$ 67,696 | \$ - | \$ - | \$ - | \$10,390 | \$ 547,141 |
| 2008 | \$232,103 | \$11,899 | \$3,541 | \$ 713 | \$112,686 | \$ 70,655 | \$ - | \$ - | \$ - | \$ 6,890 | \$ 438,487 |
| 2007 | \$211,859 | \$11,016 | \$3,394 | \$ 476 | \$109,136 | \$ 66,347 | \$ - | \$ - | \$ - | \$ 7,900 | \$ 410,128 |
| 2006 | \$191,499 | \$11,633 | \$4,728 | \$ 946 | \$107,185 | \$ 73,137 | \$ - | \$ - | \$ - | \$13,075 | \$ 402,203 |

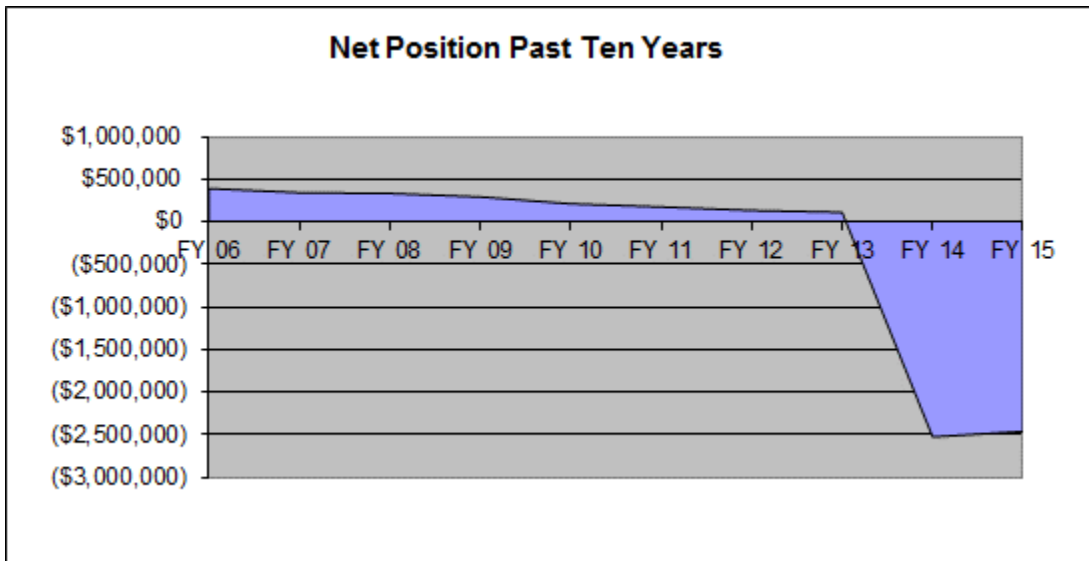


Note: The School began enrolling students in FY 03.

Source: School Financial Records

Hope Academy Northcoast Campus
Net Position
Last Ten Fiscal Years

| Year | Investment in Capital Assets | Unrestricted | Total | Change in Net Position |
|------|------------------------------------|----------------|----------------|---------------------------|
| 2015 | - | \$ (2,463,640) | \$ (2,463,640) | \$ 65,084 |
| 2014 | \$ 11,058 | \$ (2,539,782) | \$ (2,528,724) | \$ 9,692 |
| 2013 | \$ 42,274 | \$ 67,411 | \$ 109,685 | \$ (21,295) |
| 2012 | \$ 74,286 | \$ 56,694 | \$ 130,980 | \$ (41,316) |
| 2011 | \$ 106,298 | \$ 65,998 | \$ 172,296 | \$ (37,798) |
| 2010 | \$ 140,917 | \$ 69,177 | \$ 210,094 | \$ (80,455) |
| 2009 | \$ 180,947 | \$ 109,601 | \$ 290,548 | \$ (40,516) |
| 2008 | \$ 215,419 | \$ 115,645 | \$ 331,064 | \$ (9,833) |
| 2007 | \$ 256,371 | \$ 84,526 | \$ 340,897 | \$ (48,236) |
| 2006 | \$ 289,871 | \$ 99,262 | \$ 389,133 | \$ (2,180) |



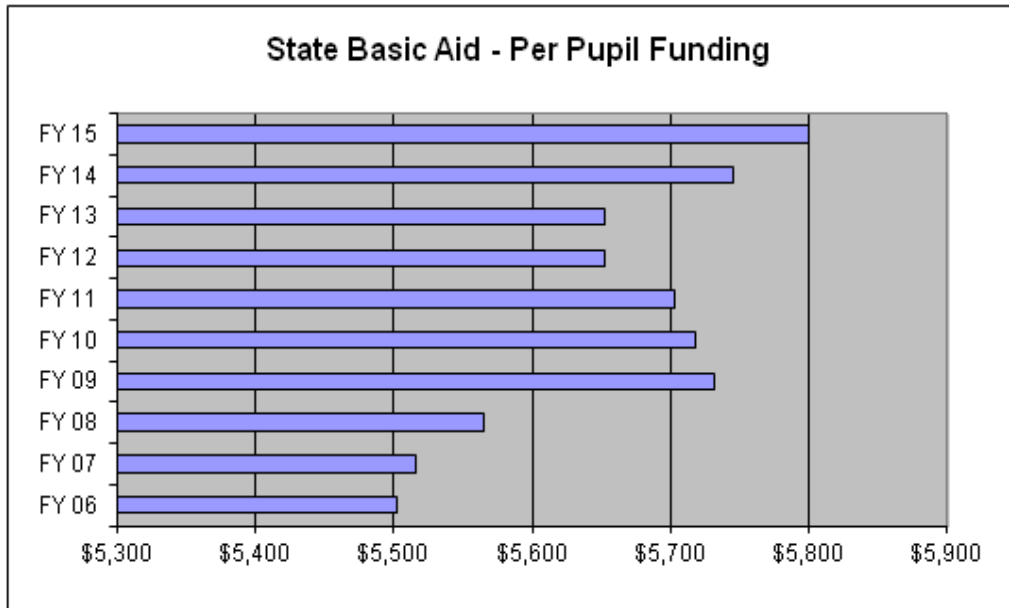
Note1: The School began enrolling students in FY 03.

Note 2: A prior period adjustment of \$(2,648,101) was recorded in FY 14 for implementation of GASB 68

Source: School Financial Records

Hope Academy Northcoast Campus
 State Basic Aid – Per Pupil Funding Amount
 Last Ten Fiscal Years

| Year | Per Pupil Funding | Cost of Doing Business | Total Per Pupil |
|------|-------------------|------------------------|-----------------|
| 2015 | \$ 5,800 | - | \$ 5,800 |
| 2014 | \$ 5,745 | - | \$ 5,745 |
| 2013 | \$ 5,653 | - | \$ 5,653 |
| 2012 | \$ 5,653 | - | \$ 5,653 |
| 2011 | \$ 5,703 | - | \$ 5,703 |
| 2010 | \$ 5,718 | - | \$ 5,718 |
| 2009 | \$ 5,732 | - | \$ 5,732 |
| 2008 | \$ 5,565 | - | \$ 5,565 |
| 2007 | \$ 5,403 | 1.0209 | \$ 5,516 |
| 2006 | \$ 5,283 | 1.0417 | \$ 5,503 |



Note 1: In addition to the above, the School also receives other sources of State Aid including (but not limited to) Career Based Intervention Funding, Disadvantaged Pupil Impact Aid, Parity Aid, and Special Education funding. The revenues have collectively been identified on the Statement of Revenues, Expenses, and Changes in Net Position as “State Aid.”

The Cost of Doing Business Factors are determined by the State of Ohio and vary by region.

Note 2: The School began enrolling students in FY 03.

Note 3: The Ohio Department of Education eliminated the cost of doing business factor in fiscal year 2008.

Source: Ohio Department of Education

Hope Academy Northcoast Campus
Student Population by Resident District
2015 Fiscal Year

| <u>Resident District</u> | <u>%</u> |
|--------------------------|----------|
| Cleveland | 97.85% |
| Garfield Heights | 1.80% |
| All Other Districts | 0.35% |

Note 1: The School has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

Note 2: Districts representing less than 2 percent of the student population are combined under the heading “All Other Districts”.

Source: Ohio Department of Education

Hope Academy Northcoast Campus
Miscellaneous Statistics

School Address: 4310 East 71st Street
Cleveland, Ohio 44105

Square Footage: 20,054 sq. ft.

Date of Incorporation: 1/17/2002

Instructional Staff: 9

Total FY 15 Staff: 24

**Instructional Staff/
Student Ratio** 17

**Percent of Low
Income Students:** 93.77%

Source: School Records

} **Note: All Staff are employees of WHLS of Ohio, LLC. See Note 7 in Notes to the Basic Financial Statements.**

Hope Academy Northcoast Campus Principal Employers

Cuyahoga County

Principal Employers

(Ranked by the Number of Full-Time Equivalent Employees)
Current Year and Nine Years Ago

| Employer | 2014 | | | 2005* | | |
|---|---------------------|------|-----------------------|---------------------|------|-----------------------|
| | Number of Employees | Rank | % of Total Employment | Number of Employees | Rank | % of Total Employment |
| Cleveland Clinic Health System | 32,251 | 1 | 5.60% | | | |
| University Hospitals Health System | 14,518 | 2 | 2.60% | | | |
| U.S. Office of Personnel Management | 11,254 | 3 | 2.50% | | | |
| Progressive Corporation | 8,379 | 4 | 1.30% | | | |
| Cuyahoga County | 7,776 | 5 | 1.30% | | | |
| Cleveland Metropolitan School District | 6,953 | 6 | 1.20% | | | |
| City of Cleveland | 6,757 | 7 | 1.20% | | | |
| Thhe MetroHealth System | 5,823 | 8 | 1.00% | | | |
| KeyCorp | 4,812 | 9 | 1.00% | | | |
| Group Management Services | 4,795 | 10 | 1.00% | | | |
| | | | | | | |
| Cleveland Clinic Health System | | | | 27755 | 1 | 4.23% |
| University Hospitals Health System | | | | 16611 | 2 | 2.53% |
| U.S. Office of Personnel Management | | | | 9916 | 3 | 1.51% |
| Cuyahoga County | | | | 9142 | 4 | 1.39% |
| Progressive Corp | | | | 9017 | 5 | 1.38% |
| City of Cleveland | | | | 8136 | 6 | 1.24% |
| Cleveland Municipal School District | | | | 7472 | 7 | 1.14% |
| KeyCorp | | | | 6397 | 8 | 0.98% |
| National City Corporation | | | | 6051 | 9 | 0.92% |
| MetroHealth System | | | | 5503 | 10 | 0.85% |
| Total Employees | 103,318 | | 16.70% | 106,000 | | 16.17% |
| Total Employment within the City | 146100 | | | 176900 | | |

* Information prior to 2005 is unavailable

Source <http://www.crainscleveland.com/article/20140825/FREE/140829853/list-of-cuyahoga-countys-largest-employers-proves-cleveland>
http://fiscalofficer.cuyahogacounty.us/pdf_fiscalofficer/en-US/2013_FinancialAudit.pdf



Dave Yost • Auditor of State

HOPE ACADEMY NORTHCOAST CAMPUS

CUYAHOGA 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
MAY 3, 2016