FOUNDATION ACADEMY
RICHLAND COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

FOUNDATION ACADEMY
RICHLAND COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Foundation Academy
Richland County
1050 Wyandotte Ave.
Mansfield, OH 44906

To the Board of Directors:

We have audited the accompanying basic financial statements of the Foundation Academy, Richland County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation Academy, Richland County, Ohio, as of June 30, 2011, and the changes in financial position and cash flows**,** for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

April 4, 2012

The discussion and analysis of the Foundation Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its fourth year of operations during fiscal year 2011 serving kindergarten through eighth grade. Enrollment varied during the year but ended with 283 students.

Key highlights for fiscal year 2011 are as follows:

- Net assets increased $104,079.
- Operating revenues accounted for $1,894,404 of the total revenues of $2,668,804.
- Operating expenses accounted for $2,528,575 of the total expenses of $2,564,725.
- The Academy had an operating loss of $634,171.

Overview of the Financial Statements

The financial report consists of three parts - management discussion and analysis, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the financial position of the academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to full understanding of the data provided on the basic financial statements.

Financial Analysis of the Academy as a Whole

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

Table 1 provides a summary of Academy's net assets for 2011 and 2010:

Table 1
Net Assets

	2011	2010	Change
Assets:			
Current Assets	$134,529	$214,844	($80,315)
Capital Assets	1,372,182	1,163,977	208,205
Total Assets	1,506,711	1,378,821	127,890
Liabilities:			
Current Liabilities	1,026,301	851,375	174,926
Long-Term Liabilities	470,316	621,431	(151,115)
	1,496,617	1,472,806	23,811
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,012,582	665,190	347,392
Unrestricted	(1,002,488)	(759,175)	(243,313)
Total Net Assets	$10,094	($93,985)	$104,079

Total net assets increased $104,079. The increase is primarily the result of higher enrollment. The Academy was able to increase in enrollment in fiscal 2011 to 283 from 220 in fiscal 2010. Furthermore, during fiscal 2010, the Academy moved into its new facility. This new facility allows for significant enrollment growth. The capacity of the facility is estimated to be approximately 500 students. Enrollment as of November 2011 was 315.

Based on the analysis that was done at the time the decision was made to open the school, the Board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to general large economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs came from delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses and invoices for payroll of Academy staff.

Table 2 reflects the changes in net assets for fiscal year 2011 and 2010:

Table 2
Change in Net Assets

	2011	2010	Change
Operating Revenues:			
Foundation	$1,873,809	$1,497,804	$376,005
Charges for Services & Miscellaneous	20,595	9,608	10,987
Non-Operating Revenues:			
Federal/State Restricted Grants	774,400	829,006	(54,606)
Total Revenues	$2,668,804	$2,336,418	$332,386
Operating Expenses:			
Building	0	75,200	(75,200)
Purchased Services	2,283,394	2,220,350	63,044
Depreciation	69,607	35,526	34,081
General Supplies	123,748	326,510	(202,762)
Other Operating Expense	51,826	16,938	34,888
Non-Operating Expenses:			
Interest	36,150	19,515	16,635
Total Expenses	$2,564,725	$2,694,039	($129,314)
Total Increase (Decrease) in Net Assets	$104,079	($357,621)	$461,700

The fiscal year 2010 deficit was primarily due to the Academy's recognition of $300,000 of organizational and development costs incurred during the pre-opening phase of the Academy. In addition, the Academy incurred costs related to the move into its new facility and made a significant investment in educational resources and equipment. For fiscal 2011, the Academy's first full year in its new facility, enrollment increased by 63 students. This increase in enrollment is the reason Foundation receipts increased, and enabled the Academy to have an increase in net assets.

Budgeting

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the Academy had $1,372,182 invested in capital assets (net of accumulated depreciation) for furniture, equipment, computers and building as follows:

	2011	2010	Change
Furniture & Equipment	$79,593	$78,708	$885
Computer Equipment	43,363	61,543	(18,180)
Building	1,011,199	982,226	28,973
Land	41,500	41,500	0
Construction in Progress	196,527	-	196,527
Total Capital Assets, Net	$1,372,182	$1,163,977	$208,205

For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2011, the Academy had $623,471 of debt outstanding, of which $153,155 is due within one year. The following table summarizes the Academy's debt outstanding as of June 30, 2011:

Outstanding Debt, at Year End

	2011	2010	Change
Capital Leases Payable	$22,845	$56,572	($33,727)
Secured Property Notes	336,755	442,214	(105,459)
Installment Note Payable	263,871	286,368	(22,497)
Total	$623,471	$785,154	($161,683)

For further information regarding the Academy's debt and Capital Leases, refer to Note 12 & 13 to the basic financial statements.

Economic Factors

Management is not currently aware of any facts, decision or conditions that have occurred that are expected to have a significant effect on the financial position or results of operation.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any question concerning this report, please contact Brenda Neff, Treasurer for Foundation Academy, 1050 Wyandot Ave. Mansfield, OH 44906.

FOUNDATION ACADEMY
RICHLAND COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:		
Current assets:		
Cash and Cash Equivalents	$	15,216
Account Receivable		5
Intergovernmental Receivable		95,220
Prepaid Expense		24,088
Total current assets		134,529
Noncurrent assets:		
Non-Depreciable Capital Assets		238,027
Capital Assets, net of Accumulated Depreciation		1,134,155
Total noncurrent assets		1,372,182
Total assets	$	1,506,711
Liabilities:		
Current liabilities:		
Accounts Payable, Trade	$	126,407
Accounts Payable, Related Party		737,746
Accrued Interest		4,574
Deferred Revenue		4,419
Current Portion of Long-term Debt		153,155
Total current liabilities		1,026,301
Noncurrent liabilities:		
Noncurrent Portion of Long-term Debt		470,316
Total liabilities		1,496,617
Net Assets		
Invested in Capital Assets, Net of Related Debt		1,012,582
Unrestricted Net Assets		(1,002,488)
Total Net Assets	$	10,094

See Accompanying Notes to the Basic Financial Statements

FOUNDATION ACADEMY
RICHLAND COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues:		
Community School Foundation	$	1,873,809
Charge for Services		7,137
Miscellaneous		13,458
Total Operating Revenues		1,894,404
Operating Expenses:		
Purchased Services		2,283,394
Depreciation		69,607
General Supplies		123,748
Other Operating Expenses		51,826
Total Operating Expenses		2,528,575
Operating Loss		(634,171)
Nonoperating Revenues and Expenses:		
Federal and State Restricted Grants		774,400
Interest Expense		(36,150)
Net Nonoperating Revenues and Expenses		738,250
Change in Net Assets		104,079
Net Assets Beginning of Year		(93,985)
Net Assets End of Year	$	10,094

See Accompanying Notes to the Basic Financial Statements

FOUNDATION ACADEMY
RICHLAND COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 1,883,038
Charge for Services	7,132
Other Operating Receipts	13,458
Cash Payments to Suppliers for Goods and Services	(2,316,324)
Net Cash Used for Operating Activities	(412,696)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grant Receipts	878,360
Net Cash Provided by Noncapital Financing Activities	878,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note Payable Interest Payments	(38,547)
Note Payable Principal Retirement	(132,703)
Purchase of Assets	(247,112)
Capital Lease Interest Payments	(3,347)
Capital Lease Principal Retirement	(34,854)
Net Cash Used for Capital and Related Financing Activities	(456,563)
Net Increase in Cash and Cash Equivalents	9,101
Cash and Cash Equivalents - Beginning of the Year	6,115
Cash and Cash Equivalents - Ending of the Year	$ 15,216
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (634,171)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	69,607
Changes in assets and liabilities:	
Decrease in Receivables	4,804
Increase in Prepaid Expense	(8,598)
Decrease in Accounts Payable, Trade	(110,005)
Increase in Accounts Payable, Related Party	261,248
Increase in Deferred Revenue	4,419
Net Cash Used for Operating Activities	$ (412,696)

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School

The Foundation Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the academy.

The Academy was approved for operation pursuant to Ohio Revised Code Chapter 3314 under a contract with Ohio Council of Community Schools (the Sponsor) as designated by the Board of Trustees of the University of Toledo for a period of five academic years commencing on March 7, 2007 and ending June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 15.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2011.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2011, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2011 consisted of land, construction in progress, a building, computers and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. Improvements that enhance value or extend the useful life of the asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Note 2 - Summary of Significant Accounting Policies (Continued)

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Building	25-50 years
Computers, Furniture and Equipment	5-20 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of net assets reports no restricted net assets related to certain unspent federal grant receipts and $1,012,582 invested in capital assets net of related debt.

I. Operating Revenues and Expenses

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

J. Estimates

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

K. Economic Dependency

The Academy receives approximately 99% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Note 3 – Changes in Accounting Principles

There were no changes in accounting principles implemented during 2011 that would have a material effect on the financial statements.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balance of Academy's deposits was $56,255. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2011, the Academy had intergovernmental receivables, in the amount of $95,220. The receivables are expected to be collected within one year.

	Amount
21st Century Grant	$ 42,091
Title I A	27,243
Title I	16,182
National School Lunch Programs	5,695
Special Education Grants	3,125
Title IV	884
Total Intergovernmental Receivables	$ 95,220

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Capital Assets				
Construction in Progress	-	196,527	-	196,527
Land	41,500	-	-	41,500
Total Nondepreciable Capital Assets	41,500	196,527	-	238,027
Depreciable Capital Assets				
Furniture & Equipment	$ 94,941	$ 10,430	$ -	$ 105,371
Computer Equipment	102,377	2,869	-	105,246
Building	992,584	67,986	-	1,060,570
Total Depreciable Capital Assets	1,189,902	81,285	-	1,271,187
Total Accumulated Depreciation	(67,425)	(69,607)	-	(137,032)
Capital Assets, Net	$ 1,163,977	$ 208,205	$ -	$ 1,372,182

Note 6 - Capital Assets (Continued)

Aside from miscellaneous furniture and technology purchases during fiscal 2011, the Academy invested $196,527 in building improvements. As the improvement project is not complete as of June 30, 2011, the investment is classified as Construction in Progress and no depreciation was recognized. The improvement is expected to be put into service for the 2011-2012 school year.

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the Academy contracted with Pashley Insurance Agency to provide insurance coverage with the Hanover Insurance Companies. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Building	3,118,000
Business Personal Property	300,000
Excess/Umbrella Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage.

Note 8 – Purchased Services

For the fiscal year ended June 30, 2011, purchased service expenses were as follows:

Purchased Services	Amount
Personnel Services	$1,533,440
Staff and Administrative Services	402,428
Building Services	142,748
Food Services	113,111
Sponsor Services	37,661
Professional Services	19,785
Student Services	18,529
Advertising	15,692
Total	$2,283,394

Note 9 - Defined Benefit Pension Plans

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $43,985, $31,146 and $13,230, respectively; 93.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

Note 9 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $98,418, $88,153 and $64,271, respectively; 73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, none of the members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care.

Note 10 - Postemployment Benefits (Continued)

A. School Employee Retirement System (Continued)

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.

The School's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $5,326, $1,222 and $6,037, respectively; 93.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were $2,830, $1,858 and $2,417, respectively; 93.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $7,571, $6,781 and $4,944, respectively; 73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 11 - Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

Note 11 – Contingencies (Continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of a recent review, it was determined that the Academy was over funded during fiscal 2011 by $4,419. The amount was recognized as a Deferred Revenue on the June 30, 2011 Balance Sheet.

Note 12 – Long-Term Obligations

Changes in the Academy's long-term obligations during fiscal year 2011 were as follows:

	Balance 6/30/2010	Additions	Principal Payments	Balance 6/30/2011	Amount Due Within One Year
Capital Leases Payable	$ 56,572	$ -	$ (33,727)	$ 22,845	$ 14,071
Note Payable - Property	270,000	-	(19,331)	250,669	20,729
Note Payable - Renovation	172,214	-	(86,128)	86,086	86,086
Installment Note Payable	286,368	-	(22,497)	263,871	32,269
Total Debt	$ 785,154	$ -	$ (161,683)	$ 623,471	$ 153,155

Note Payable - Property

In December 2009, the Academy executed a secured promissory note in the amount of $270,000. The proceeds were used to acquire a building for use as a school facility. The note bears interest at 7% per annum and matures in July 2018. Commencing July 2010, the loan will be repaid in 33 equal quarterly installments of $9,459.75. The loan may be prepaid at any time without penalty. The building collateralizes the loan. Interest expense incurred on this note during fiscal 2011 was $18,167.

Note Payable – Renovation

In April 2010, the Academy entered into a $172,214 credit facility with a lending institution. Borrowings under the facility are to be used for renovations to the Academy's new building. The facility bears interest at 6% per annum and matures on June 30, 2012. The facility is interest only during the draw period (up to six months) with monthly principal and interest payments thereafter. Commencing July 2010, the loan will be repaid in 24 equal monthly installments of $7,639.48. The building collateralizes the loan. Interest expense incurred on this note during fiscal 2011 was $8,208.

Note 12 – Long-Term Obligations (Continued)

Installment Note Payable

In January 2010, the Academy executed a $300,000 promissory note to reimburse Mosaica Education, Inc., a related party, (see Note 15) for organizational and development costs incurred by Mosaica during the pre-opening phase of the Academy. The note bears interest at 2.5% and matures in December 2019. The note is to be repaid in 120 equal installments of $2,825 commencing January 2010. The note in unsecured. Interest expense incurred on this note in fiscal 2011 was $6,824.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending June 30:	Note Payable – Property	Note Payable - Renovation	Installment Note Payable
2012	$37,839	$86,086	$33,900
2013	$37,839		$33,900
2014	$37,839		$33,900
2015	$37,839		$33,900
2016	$37,829		$33,900
2017-2021	$132,437		$118,648
Total	$321,632	$86,086	$288,148

Note 13 – Capital Lease-Lessee Disclosure

The Academy has entered into capitalized lease for the use of furniture and equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The lease was capitalized in the amount of $62,858 based on the present value of future minimum lease payments at the lease inception in 2008.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011:

	Capital Lease	
Fiscal Year Ending June 30	Principal	Interest
2012	14,071	1,400
2013	8,774	250
Total	$22,845	$1,650

Note 14 –Tax Exempt Status.

The Academy has filed for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Note 15 – Related Party Transactions/Management Company

The Academy contracts with Mosaica Education, Inc. for variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statement, budget preparation, accounts payable, and payroll preparation.

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2011 was $331,918.

Also, per the management agreement there are expenses that will be billed back to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include salaries and other costs related to providing educational and administrative services. The actual expenses paid to Mosaica Education, Inc during fiscal year 2011 were $1,222,675.

At June 30, 2011, the Academy had payables to Mosaica Education, Inc. in the amount of $737,746. The following is a schedule of payables to Mosaica Education, Inc.

	Amount
Payroll	$504,946
Management Fees	203,801
Finance Charges	15,412
Installment Promissory Note	5,650
Miscellaneous	7,937
Total June 30, 2011	$737,746

Note 16 – Sponsor

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five academic years continuing through June 30, 2012. As part of this contract, the Sponsor is entitled to a maximum of three percent of all revenues. There is a reduction in the fee as enrollment among all schools sponsored by the Ohio Council of Community Schools and managed by Mosaica Education, Inc. reaches certain benchmarks. Total amount due and paid for fiscal year 2011 was $37,661.

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FOUNDATION ACADEMY
RICHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Revenues	Expenses
U.S. Department of Agriculture			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	$ 47,511	$ 47,511
National School Lunch Program	10.555	120,906	120,906
Total Nutrition Cluster		168,417	168,417
Total U.S. Department of		**168,417**	**168,417**
U.S. Department of Education			
Passed Through Ohio Department of Education			
Title I Cluster:			
Title I Grants to Local Education Agencies	84.010	132,183	132,183
ARRA - Title I Grants to Local Education Agencies	84.389	84,163	88,051
Total Title I Cluster		216,346	220,234
Special Education Cluster			
Special Education Grants to States	84.027	34,008	34,008
ARRA - Special Education Grants to States	84.391	19,487	19,487
Total Special Education Cluster		53,495	53,495
Safe and Drug Free School and Communites State Grants Program	84.186	884	888
Twenty-First Century Community Learning Centers	84.287	161,903	161,903
Education Technology State Grants	84.318	534	534
Improving Teacher Quality	84.367	7,873	7,873
ARRA-State Fiscal Stablization	84.394	159,949	159,949
Total U.S. Department of Education		**600,984**	**604,876**
Total		**$ 769,401**	**$ 773,293**

The accompanying notes are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Foundation Academy (the Academy) federal award programs' revenues and expenditures. The Schedule has been prepared on the accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

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

Foundation Academy
Richland County
1050 Wyandotte Ave.
Mansfield, OH 44906

To the Board of Directors:

We have audited the basic financial statements of Foundation Academy, Richland County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated April 4, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 4, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, Ohio Council of Community Schools, Federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

April 4, 2012

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Foundation Academy
Richland County
1050 Wyandotte Ave.
Mansfield, OH 44906

To the Board of Directors:

Compliance

We have audited the compliance of Foundation Academy, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Foundation Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-001.

Internal Control Over Compliance

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

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

The Academy's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 4, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, Ohio Council of Community Schools, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

April 4, 2012

FOUNDATION ACADEMY
RICHLAND COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**Yes**
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.010 and #84.389 - Title I Grants to Local Educational Agencies Cluster CFDA #10.553 and #10.555 – Nutrition Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: All Others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Timely Filing of A-133 Reporting Package

Finding Number	2011-001
CFDA Title and Number	Title I Grants to Local Educational Agencies Cluster, CFDA #84.010 and #84.389 Nutrition Cluster, CFDA #10.553 and #10.555
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* Section .200(b) provides that a non-federal entity that expends $500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as "auditees". Section .300(a) states, an auditee shall "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Section .300(e) further states, an auditee shall "Ensure that the audits required by this part are properly performed and submitted when due." Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Academy expended in excess of $500,000 in federal awards during the fiscal year ended June 30, 2011. However, the Academy did not ensure that a single audit was conducted within the time period specified by OMB Circular A-133 Section .320 (a).

We recommend the Academy complete and prepare items for audit in a timely manner in order to meet filing deadlines.

Official's Response and Corrective Action Plan:
Management provided the Auditors trial balance and general ledger reports, GAAP financials, and workpapers to support the balances in the draft financials in late November 2011. Unfortunately, there were some delays in providing responses to some of the Auditor's inquiries that prevented them from being able to issue their opinion on the GAAP financials until the first of April 2012. Management will work to respond to future auditor inquiries more quickly so as to avoid late filing of reports.

Anticipated Completion Date: Fiscal Year 2012
Responsible Contact Person: Roger Gray, Senior VP of School Finance, Mosaica Education, Inc.

Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Foundation Academy
Richland County
1050 Wyandotte Ave.
Mansfield, Ohio 44906

To the Board of Directors:

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

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

1. We noted the Board of Directors did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

   Ohio Rev. Code Section 3313.666 required the Board of Directors to amend its definition by September 28, 2010.

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

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

Dave Yost

Dave Yost
Auditor of State

April 4, 2012

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RICHLAND FOUNDATION ACADEMY

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 24, 2012

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