Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012

Dave Yost • Auditor of State

Board of Directors
New Beginnings Academy
4707 Hilton Corporate Drive
Columbus, Ohio 43232

We have reviewed the *Independent Auditor's Report* of the New Beginnings Academy, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 New Beginnings Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 28, 2013

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NEW BEGINNINGS ACADEMY
YEAR ENDED JUNE 30, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board
New Beginnings Academy
Franklin County
4707 Hilton Corporate Drive
Columbus, Ohio 43232

We have audited the accompanying financial statements of the business-type activities of New Beginnings Academy, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 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 the business-type activities of New Beginnings Academy, Franklin County, Ohio, as of June 30, 2012, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the School has suffered recurring losses from operations and has a net asset deficiency. Note 13 describes management's plan regarding these matters. The financial statements do not include any adjustments that might results from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the School'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 do 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. The 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
February 12, 2013

The discussion and analysis of the New Beginnings Academy's (the School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the fiscal year 2012 are as follows:

- Total assets were $73,678
- Total liabilities were $1,231,849
- Total net assets were $(1,158,170).
- Total operating and non-operating revenues were $357,228. Total operating expenses were $1,088,305.

USING THIS ANNUAL REPORT

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

REPORTING THE SCHOOL AS A WHOLE

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Net Assets reflect how the School did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2012. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource 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.

Table 1 provides a summary of the School's net assets for fiscal years 2012 and 2011.

Table 1
Statement of Net Assets

	2012	2011
Assets		
Current Assets	$ 9,119	$ 2,975
Capital Assets, Net of Accumulated Depreciation	64,559	-
Total Assets	73,678	2,975
Liabilities		
Current Liabilities	1,231,848	430,068
Total Liabilities	1,231,848	430,068
Net Assets		
Investment in Capital Assets	64,559	-
Unrestricted	(1,222,729)	(427,093)
Total Net Assets	$ (1,158,170)	$ (427,093)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School's nets assets totaled $(1,158,170).

Current assets represent cash and cash equivalents and intergovernmental receivable. Current liabilities represent amounts owed to the management company and notes payable at fiscal year-end.

Total assets increased $70,703, which is primarily due to the capital asset additions. Current liabilities increased $801,780 due to the increased liabilities to the management company.

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2012 and 2011, as well as a listing of revenues and expenses. This change in net assets 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.

Table 2 – Changes in Net Assets

	2012	2011*
Operating Revenue		
State Aid	$ 350,997	$ 141,544
Other	-	100
Total Operating Revenues	350,997	141,644
Operating Expenses		
Purchased Services	989,911	555,852
State Retirement	55,087	28,700
Student Transportation	14,238	-
Legal Fees	10,861	-
Sponsor Fees	7,851	-
Depreciation	10,088	-
Other	269	-
Total Operating Expenses	1,088,305	584,552
Operating (Loss)	(737,308)	(442,908)
Non-Operating Revenues/(Expenses)		
Federal Grants	6,231	20,491
Interest Expense	-	(4,676)
Total Non-Operating Income	6,231	15,815
Increase (Decrease) in Net Assets	$ (731,077)	$ (427,093)

* - Certain reclassifications were made for consistency in reporting, there was no effect on net assets.

State Aid increased by $209,453 due to an increase in enrollment. Purchased services increased by $434,059, due to increased costs associated with salaries and benefits that are paid through the management company.

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

For the period ending June 30, 2012, the School had $64,559 invested in furniture, fixtures, equipment, computers and software (net of $10,088 in accumulated depreciation). Table 3 shows fiscal year 2012:

Table 3

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Depreciable Capital Assets				
Computers & Software	$ -	$ 39,347	$ -	$ 39,347
Furniture, Fixtures & Equipment	-	35,300	-	35,300
Total Depreciable Capital Assets	-	74,647	-	74,647
Less Accumulated Depreciation				
Computers & Software	-	(6,558)	-	(6,558)
Furniture, Fixtures & Equipment	-	(3,530)	-	(3,530)
Total Accumulated Depreciation	-	(10,088)	-	(10,088)
Capital Assets, Net	$ -	$ 64,559	$ -	$ 64,559

For more information on capital assets, see Note 5 to the basic financial statements.

DEBT

During the fiscal year 2011, the School received monies from a long-term note from Edison Learning, Inc. in the amount of $116,665. At fiscal year end, the note had a principal balance due of $116,665. For more information over the School's debt, see Note 7 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

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

Additionally, all community schools in the State have experienced a slight reduction in the amount of per pupil revenue (State Aid) for fiscal year 2012. The School will need to evaluate the extent of the impact this will have on current year operations.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 4707 Hilton Corporate Drive, Columbus Ohio 43232 or e-mail at dave@massasolutionsllc.com.

NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

Statement of Net Assets
At June 30, 2012

Assets		
Current Assets:		
Cash and Cash Equivalents	$	5,293
Intergovernmental Receivable		3,477
Accounts Receivable		349
Total Current Assets		9,119
Noncurrent Assets:		
Capital Assets, net		64,559
Total Noncurrent Assets		64,559
Total Assets	$	73,678
Liabilities		
Current Liabilities:		
Intergovernmental Payable	$	70,224
Notes Payable		116,665
Edison Payable		1,044,959
Total Liabilities	$	1,231,848
Net Assets		
Invested in Capital Assets		64,559
Unrestricted		(1,222,729)
Total Net Assets	$	(1,158,170)

See accompanying notes to the basic financial statements

NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

Statement of Revenues,
Expenses and Change in Net Assets
For the Year Ending June 30, 2012

<u>Operating Revenues</u>	
State Aid	$ 350,997
Total Operating Revenues	350,997
<u>Operating Expenses</u>	
Purchased Services: Edison Learning	989,911
State Retirement	55,087
Student Transportation	14,238
Legal Fees	10,861
Sponsor Fees	7,851
Other	269
Depreciation Expense	10,088
Total Operating Expenses	1,088,305
Operating (Loss)	(737,308)
<u>Non-Operating Revenues</u>	
Federal Grants	6,231
Total Non-Operating Revenues	6,231
Change in Net Assets	(731,077)
Net Assets, Beginning of Year	(427,093)
Net Assets, End of Year	$ (1,158,170)

See accompanying notes to the basic financial statements

NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 301,513
Cash Payments to State Retirement Systems	(55,087)
Cash Payments to Suppliers for Goods and Services	(174,882)
Net Cash Provided by Operating Activities	71,544
Cash Flows from Non-capital Financing Activities	
Cash Received from Federal Grants	5,421
Net Cash Provided by Non-capital Financing Activities	5,421
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(74,647)
Net Cash (Used for) Capital and Related Financing Activities	(74,647)
Net Increase in Cash and Cash Equivalents	2,318
Cash and Cash Equivalents, Beginning of Year	2,975
Cash and Cash Equivalents, End of Year	$ 5,293

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$ (737,308)
Depreciation	10,088
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(349)
Increase in Intergovernmental Receivable	(2,667)
Decrease in Accounts Payable	(926)
Decrease in Intergovernmental Payable	(46,817)
Increase in Edison Payable	849,523
Total Adjustments	808,852
Net Cash Provided by Operating Activities	71,544

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

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

The School may acquire facilities as needed and contract for any services necessary for the operation of the School. The School may sue and be sued. The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course or action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under a contract with the Education Resource Consultants of Ohio ("ERCO") (the Sponsor) for a one year period commencing on July 1, 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff. The School has contracted with Edison Learning, Inc. to act as a management company for the School (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The School 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 School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. 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 Assets, a Statement of Revenue, Expenses and Change in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change net assets, financial position and cash flows.

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-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. The Statement of Cash Flows provides information about how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The School's financial statements are prepared using the accrual basis of accounting.

C. Budgetary Process

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

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Assets. The School did not have any investments during the period ended June 30, 2012.

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net assets. Capital assets were $64,559, as of June 30, 2012, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

Asset Class	Useful Life
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation (continued)

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

G. Intergovernmental Revenues

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

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

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

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

Under the above programs the School recognized revenue of $350,997 this fiscal year from the Foundation Program and $6,231 from Federal grants.

H. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of intergovernmental payable of $70,224, notes payable and Edison payable totaling $1,161,624 at June 30, 2012.

J. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Exchange and Non-Exchange Transactions (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

K. 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 through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2012.

3. CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution, Chase Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2012, the book amount of the School’s deposits was $5,293 and the bank balance was $5,293.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2012, none of the bank balance was exposed to custodial credit risk.

4. RECEIVABLES

The School has State, Federal and accounts receivables totaling $2,667, $810 and $349, respectively at June 30, 2012. These receivables represented cash revenue earned, but not received as of June 30, 2012.

5. CAPITAL ASSETS

For the period ending June 30, 2012, the School's capital assets consisted of the following:

	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Capital Assets:				
Computers & Software	$ -	$ 39,347	$ -	$ 39,347
Furniture, Fixtures, & Equipment	-	35,300	-	35,300
Total Capital Assets	-	74,647	-	74,647
Less Accumulated Depreciation:				
Computers & Software	-	(6,558)	-	(6,558)
Furniture, Fixtures, & Equipment	-	(3,530)	-	(3,530)
Total Accumulated Depreciation	-	(10,088)	-	(10,088)
Capital Assets, Net	$ -	$ 64,559	$ -	$ 64,559

6. RISK MANAGEMENT

Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2012, the School contracted with Willis of New York, Inc. for nonprofits and maintained general liability insurance with a $1,250,000 single occurrence limit and $20,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of $25,000,000.

7. NOTES PAYABLE

During the fiscal year ending 2011, the School entered into a note agreement with Edison Learning monies loaned to the School in the amount of $116,665, to cover start-up cost and short term operating costs. The note activity during the year is reflected as follows:

Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
$ 116,665	$ -	$ -	$ 116,665

8. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description – Edison Learning on behalf of the School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 North Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 1.30% of the 14% employer contribution rate is allocated to Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board 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 and death benefits to SERS for the fiscal years ended June 30, 2012 and 2011 were $13,810 and $3,162, respectively, which equaled the required contribution of each year or 100%.

B. State Teachers Retirement System (STRS Ohio)

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

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level form the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DP Plan during their fifth year of membership unless the permanently select the DC or Combined Plan.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contribution service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated. Benefits are increased annually by 3 percent of the original base amount for DB Plan participants. The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Schools was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 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, 2012 and 2011 were $38,862 and $17,064, respectively, which is equal to 100 percent that has been contributed for fiscal years 2012 and 2011. There were no contributions to the DC and Combined Plans for fiscal year 2012.

9. POST EMPLOYMENT BENEFITS

A. School Employee Retirement System (SERS Ohio)

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

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was $99.90 for most participants, but could be as high as $319.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 was $740 and $172; 100 percent has been contributed for both fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

9. POST EMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2012 and 2011 were $884 and $323, respectively; 100 percent has been contributed for both fiscal years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System (STRS Ohio)

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2012 and 2011 were $2,776 and $1,219, respectively; 100 percent has been contributed for both fiscal years.

10. CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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10. CONTINGENCIES (Continued)

A. Grants and ADM (Continued)

The School received financial assistance from federal and State agencies in the form of grants. The expenditure 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 School. This also encompasses the Auditor of State's ongoing review of student attendance data. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School. In fiscal year 2012, the School received grants from State and Federal agencies totaling $6,231.

B. Litigation

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

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This review resulted in an adjustment of $2,667 that the School was underpaid during fiscal year 2012.

11. SPONSOR CONTRACT

The School contracted with the Education Resource Consultants of Ohio (ERCO) as its sponsor to perform oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2012, the total sponsorship fees paid totaled $10,530. Of this amount, $2,680 was paid by Edison Learning due to the school having insufficient funds.

12. AGREEMENT WITH EDISON LEARNING, INC./ PURCHASED SERVICES EXPENSE

On April 20, 2010, the School contracted with Edison Learning, Inc. to provide educational programs that offer educational excellence and educational innovation based on Edison Learning, Inc.'s unique school design, comprehensive educational programs, and management principles. The contract period ends on June 30, 2015, and may be renewed for an additional five-year term. Under the contract, Edison Learning, Inc. is responsible and accountable to the School's Board of Directors for the administration, operation, and performance of the School in accordance with the School's contract with RAA to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to Edison Learning, Inc. all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources." The following is a summary of current payment activity to Edison Learning, Inc., which included the Notes Payable and Edison Payable amount of $116,665 and 1,044,959:

12. AGREEMENT WITH EDISON LEARNING, INC./PURCHASED SERVICES EXPENSE (Continued)

1. Management Consulting and Operation Fee (Continued)

Amount due current fiscal year	$ 1,384,024
Amount remitted current fiscal year	(222,400)
Amount Due to Edison	$ 1,161,624

2. The School's Financial Responsibility

The School is responsible for initial startup costs and rent. The School is also responsible to pay for sponsor and legal fees directly related to activities of the Board.

3. Edison Financial Responsibilities

Edison Learning, Inc. is responsible for costs associated with operating the School. Such costs shall include, but shall not be limited to, salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums, utilities, janitorial services, audit, legal and financial management services related to the operation of the School and repairs and maintenance of the School's facilities, except for capital repair. Edison Learning, Inc. shall equip the School's facilities with desks and other furniture and furnishings and these items are considered property of Edison Learning, Inc. Edison Learning, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; educator liability coverage; automobile liability insurance, for, personal injury and

4. Budget

Edison Learning, Inc. shall provide the School with an annual budget, in reasonable detail, by June 30 of each fiscal year for the following fiscal year.

B. Educational Services

Edison Learning, Inc. provides educational services to dropout prevention and recovery schools, in addition to Edison's financial responsibilities noted above.

C. Personnel

All personnel working at the School are employees of the School.

D. Agreement Termination

1. Termination by the School

The School may terminate the contract in the event Edison Learning, Inc. materially breaches the contract and Edison Learning, Inc. fails to remedy such breach within 90 days of its receipt of written notice of such breach from the School.

12. AGREEMENT WITH EDISON LEARNING, INC./PURCHASED SERVICES EXPENSE (Continued)

2. Termination by Edison Learning, Inc.

Edison Learning, Inc. may terminate the contract in the event the School materially breaches the contract and the School fails to remedy such breach within 90 days of its receipt of written notice of such breach from Edison Learning, Inc.

E. Edison Learning, Inc. - Purchased Services

For the fiscal year ended June 30, 2012, Edison Learning, Inc. incurred the following expenses on behalf of the School:

Direct Site Expenses:

Salaries and Wages and Benefits	$536,764
Professional and Technical Services	231,006
Property Services	86,340
Curriculum and materials	107,973
Other Direct Costs	27,828
Total Expenses	$989,911

13. MANAGEMENT PLAN

Several years of recurring losses from operations have caused the School to experience fiscal distress. The School's cash balance at June 30, 2012 was $5,293. Additionally, the School has significant liabilities at June 30, 2012, which has resulted in a deficit net assets of ($1,158,170). The liabilities are owed to the management company, Edison Learning, Inc., for unpaid operating expenses and outstanding notes payable to Edison Learning, Inc.

With the forgiveness of the debt by Edison Learning Inc., see note 14, management and Edison Learning remain committed to the academic and financial success of the School. As a result, management plans to have stronger efforts in student recruitment and utilize Federal funds to improve the financial and academic performance of the School.

14. SUBSEQUENT EVENT

On August 14, 2012, the School and Edison Learning, Inc. entered into an agreement that forgave all the debts owed to Edison Learning, Inc. The amount of the debt forgiven was $1,161,624.

15. COMPLIANCE

Ohio Rev. Code Section 3314.08 requires the community school to annually report the number of students enrolled in the community school. The School did not properly report withdrawn students in a timely manner.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board
New Beginnings Academy
Franklin County
4707 Hilton Corporate Drive
Columbus, Ohio 43232

We have audited the financial statements of the business-type activities of New Beginnings Academy, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 12, 2013, wherein we noted the School suffered recurring losses from operations and has a net asset deficiency. 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 School'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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 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 timely corrected. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 12, 2013.

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

We intend this report solely for the information and use of management, the Board Members, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
February 12, 2013

NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDING NUMBER 2012-001

Material Weakness/Material Noncompliance

Ohio Rev. Code §3314.08 requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

Based on these reported numbers, the state Department of Education shall calculate and subtract the appropriate amount of state aid from each school district. The amount subtracted shall be paid to the corresponding community school.

Ohio Rev. Code §3314.03 requires that the contract entered into between a sponsor and the governing authority of a community school state the following:

- that the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student;
- that the school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty (920) hours per school year; the school is required to meet the minimum 25 student count prior to September 30th and may fall below that count throughout the year.
- that the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located; and
- a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.

Of the sample selected 33% of withdrawn students tested were not being reported in a timely manner.

Not properly reporting student withdraws in a timely manner can lead to improper reporting of students to the Ohio Department of Education and my lead to over/under payment of revenues from ODE.

The School should ensure that all student withdraws are properly reported.

Client Response:

As a result of this finding and in addition to efforts that were already underway, overall improvements to the enrollment reporting process and specifically the withdrawal of students, will be made that will significantly reduce the likelihood of this occurring again.

NEW BEGINNINGS ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness – Internal Controls over Financial Reporting	Yes	
2011-002	Material Weakness/Material Noncompliance – Five Year Forecast	Yes	
2011-003	Material Weakness/Material Noncompliance – Student Withdraw	No	Not corrected, reissued as finding 2012-001
2011-004	Material Non-Compliance – Management Company AUP/Audit	Yes	

Independent Auditor's Report on Applying Agreed Upon Procedures

New Beginnings Academy
Franklin County
4707 Hilton Corporate Drive
Columbus, Ohio 43232

To the Board of Education:

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 New Beginnings Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon 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 adopted an anti-harassment policy at its meeting on November 11, 2010. However, this policy did not include all matters required by Ohio Revised Code 3313.666.

2. We read the policy, noting it included the following requirements from the Ohio Revised Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A procedure for reporting prohibited incidents;

   (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (4) A procedure for documenting any prohibited incident that is reported;

   (5) A procedure for responding to and investigating any reported incident;

   (6) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974" 88 Stat. 571, 20 U.S.C. 1232q, as amended.

3. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the November 11, 2010 policy. Therefore, the policy still lacks the following required by Ohio Revised Code Section 3313.666.

   (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666, as amended by House Bill 19 of the 128th General Assembly;

   (2) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

   (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

   (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

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 the School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
February 12, 2013

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NEW BEGINNINGS ACADEMY

FRANKLIN 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 9, 2013