



**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 44229

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy'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 that 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 Columbus Humanities Arts and Technology Academy, Franklin County, Ohio, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy's deficit net assets (\$2,645,982) and operating loss (\$1,251,868) raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 5, 2010

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
UNAUDITED*

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The discussion and analysis of the Columbus Humanities Arts & Technology Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. 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 fifth year of operation during fiscal year 2009 serving grades kindergarten through eighth grade. Enrollment varied during the year but averaged 362 students.

Key highlights for fiscal year 2009 are as follows:

- Net assets decreased \$680,931 as compared to \$401,636 in the prior fiscal year.
- Academy had an operating loss of \$1,251,868 compared to an operating loss of \$559,252 in the prior fiscal year.
- Total assets increased \$100,809 as a result of a stronger cash and intergovernmental receivable position.
- Total liabilities increased \$781,740 primarily due to an increase in related party payables.

**Overview of the Financial Statements**

The financial report consists of three parts-management discussion and analysis, the basic financial statements and note disclosures. 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.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)*

Table 1 provides a summary of Academy's net assets for 2009 compared to 2008:

Table 1  
Net Assets

	2009	2008	Change
<u>Assets:</u>			
Current Assets	\$253,549	\$137,887	\$115,662
Capital Assets	49,822	64,675	(14,853)
Total Assets	<u>303,371</u>	<u>202,562</u>	<u>100,809</u>
<u>Liabilities:</u>			
Current Liabilities	2,659,097	1,569,543	1,089,554
Long-Term Liabilities	290,256	598,070	(307,814)
	<u>2,949,353</u>	<u>2,167,613</u>	<u>781,740</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,689	9,949	(4,260)
Restricted for Other Purposes	0	1,098	(1,098)
Unrestricted	(2,651,671)	(1,976,098)	(675,573)
Total Net Assets	<u>(\$2,645,982)</u>	<u>(\$1,965,051)</u>	<u>(\$680,931)</u>

Total net assets decreased \$680,931. The cause of the decrease was the Board's recognition of the need to continue to offer programming that would accelerate learning of underperforming students faster than the traditional single grade level gains. During 2007, the Academy relocated from the temporary modular site to the current permanent site. With that relocation the Academy was able to obtain a facility that is better designed for educating children and had extra capacity, at a higher annual occupancy cost. Until enrollment grows closer to capacity, the Academy will have difficulty with breaking even. The goal of the facility decision was to enhance the learning environment and provide capacity to grow enrollment into the future. Once the growth occurs, the Academy would begin to generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Based on the analysis that was done at the time the decision was made to open the school, the Board and its management have 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 generate large economic profits, but rather on a plan that is economically sustainable in the long-run and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary program became available by taking out a long term note from the Academy's management company in December of 2005 (since retired) and again in June 2007. Additional resources have been made available by delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses and invoices for leasing the Academy's staff.



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)*

Table 2 reflects the changes in net assets for fiscal year 2009 as compared to 2008.

Table 2  
Change in Net Assets

	2009	2008	Change
<u>Operating Revenues:</u>			
Foundation	\$2,471,334	\$2,718,146	(\$246,812)
Charges for Services	54,697	28,625	26,072
Facility Lease	0	330,070	(330,070)
Miscellaneous Revenues	13,248	0	13,248
<u>Non-Operating Revenues:</u>			
Federal/State Restricted Grants	763,145	392,883	370,262
Total Revenues	<u>\$3,302,424</u>	<u>\$3,469,724</u>	<u>(\$167,300)</u>
<u>Operating Expenses:</u>			
Building	820,131	643,189	176,942
Purchased Services	2,805,848	2,614,785	191,063
Depreciation	14,852	70,809	(55,957)
General Supplies	101,770	250,214	(148,444)
Other Operating Expense	48,546	57,096	(8,550)
<u>Non-Operating Expenses:</u>			
Interest	192,208	235,267	(43,059)
Total Expenses	<u>\$3,983,355</u>	<u>\$3,871,360</u>	<u>\$111,995</u>
Total Increase (Decrease) in Net Assets	<u>(\$680,931)</u>	<u>(\$401,636)</u>	<u>(\$279,295)</u>

Fiscal year 2009 showed a decrease in charges for service and miscellaneous revenues as a result of completing the sale of the modular units it had been leasing out. In addition, there were increases in facility rent due to additional investment by landlord in the Academy's facility and purchased services due to additional staffing utilized in the program primarily funded by the increase in federal/state restricted grants.

**Budgeting**

Unlike other public school 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, Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)*

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2009, the Academy had \$49,822 invested in capital assets (net of accumulated depreciation) for its computers and other equipment, a decrease of \$14,853. The following table shows fiscal year 2009 compared to 2008:

Capital Assets at June 30 (Net of Depreciation)

	2009	2008	Change
Building/Improvements	\$7,822	\$8,424	(\$602)
Furniture & Equipment	42,000	56,251	(14,251)
	\$49,822	\$64,675	(\$14,853)

The decrease in net capital assets represents the depreciation expense for the year. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2009, the Academy had \$301,688 in notes and capital leases outstanding, with \$11,432 being due within one year. The following outstanding table summarized the Academy's debt outstanding as of June 30, 2009.

Outstanding Debt, at Year End

	2009	2008	Change
Capital Leases Payable	\$44,133	\$54,725	(\$10,592)
Installment Note Payable	257,555	553,937	(296,382)
Total	\$301,688	\$608,662	(\$306,974)

For further information regarding the Academy's debt, refer to Note 13 to the basic financial statements.

**Economic Factors**

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

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)*

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**Operations**

Columbus Humanities Arts & Technology Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. 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.

**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 Robert Lotz, Treasurer of Columbus Humanities Arts & Technology Academy, 3333 Chippewa Street, Columbus, Ohio 43204.

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**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 86,022
Accounts Receivable	712
Intergovernmental Receivable	141,047
Prepaid Expense	25,767
<b>Total current assets</b>	<u>253,548</u>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	49,823
<b>Total assets</b>	<u><u>303,371</u></u>

**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	147,049
Accounts Payable, Related Party	2,500,335
Accrued Interest	281
Current Portion of Long-term Debt	11,432
<b>Total current liabilities</b>	<u>2,659,097</u>

***Noncurrent liabilities:***

Noncurrent Portion of Long-term Debt	290,256
<b>Total liabilities</b>	<u>2,949,353</u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	5,689
Unrestricted Net Assets	(2,651,671)
<b>Total Net Assets</b>	<u><u>\$ (2,645,982)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Operating Revenues:</b>	
Community School Foundation	\$ 2,471,334
Charges for Services	54,697
Miscellaneous	13,248
<b>Total Operating Revenues</b>	<u>2,539,279</u>
<b>Operating Expenses:</b>	
Building	820,131
Purchased Services	2,805,848
Depreciation	14,852
General Supplies	101,770
Other Operating Expenses	48,546
<b>Total Operating Expenses</b>	<u>3,791,147</u>
<b>Operating Loss</b>	<u>(1,251,868)</u>
<b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	763,145
Interest Expense	(192,208)
<b>Total Nonoperating Revenues and Expenses</b>	<u>570,937</u>
<b>Change in Net Assets</b>	(680,931)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(1,965,051)</u>
<b>Net Assets (Deficit) End of Year</b>	<u><u>\$ (2,645,982)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$ 2,467,140
Charges for Services	54,697
Other Operating Receipts	13,248
Cash Payments to Suppliers for Goods and Services	<u>(2,926,572)</u>
Net Cash Used For Operating Activities	<u>(391,487)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Short-term Financing Payments	(165,274)
Federal and State Grant Receipts	<u>720,005</u>
Net Cash Provided by Noncapital Financing Activities	<u>554,731</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Note Payable Interest Payments	(48,366)
Note Payable Principal Retirement	(35,830)
Capital Lease Interest Payments	(3,821)
Capital Lease Principal Retirement	<u>(10,592)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(98,609)</u>

Net Increase in Cash and Cash Equivalents	64,635
Cash and Cash Equivalents - Beginning of the Year	<u>21,387</u>
Cash and Cash Equivalents - Ending of the Year	<u><u>86,022</u></u>

**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating Loss	<u>(1,251,868)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	14,852
Changes in assets and liabilities:	
Increase in Prepaid Expense	(7,886)
Increase in Accounts Payable, Trade	36,609
Increase in Accounts Payable, Related Party	820,999
Decrease in Deferred Revenue	<u>(4,193)</u>
<b>Net Cash Used for Operating Activities</b>	<u><u>\$ (391,487)</u></u>

**Noncash capital and related financing activities**

Mosaica Education Inc. assumed the capital lease of the Academy's buildings, and applied the Academy's accumulated capital lease payments towards \$260,555 of the outstanding principal balance on the Mosaica Education Promissory Note.

**See Accompanying Notes to the Basic Financial Statements**

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**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Note 1 - Description of the School**

Columbus Humanities, Arts & Technology Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314. 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 operation. 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 under a contract with Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008. 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. Subsequent to year end, the Academy's contract with Ohio Council of Community Schools was renewed for a ten year term set to expire on June 30, 2018.

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 carry 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's Governing Board also serves as the Board for Cornerstone Academy.

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 16.

**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.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**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 school 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, 2009.

**F. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 2009 consisted primarily of instructional and administrative furniture and 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. The Academy does not have any infrastructure. Improvements 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.

All capital assets 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:

<u>Description</u>	<u>Useful Lives</u>
Leasehold Improvements	14 years
Furniture, Fixtures, and Equipment	5-20 years

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 federal grant distributions and \$5,689 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 97% 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 2009 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, 2009, the bank balance of Academy's deposits was \$109,054. 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.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**Note 5 – Receivables**

At June 30, 2009, the Academy had intergovernmental receivables, in the amount of \$141,047. The receivables are expected to be collected within one year.

Grant	Amount
Food Service	\$7,130
School Counselor Grant	11,257
Title I	89,491
School Improvement Grant	28,754
Title II D	4,285
Title II A	130
Total Intergovernmental Receivables	\$141,047

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Leasehold Improvements	\$8,424	\$0	\$0	\$8,424
Furniture & Equipment	71,253	0	0	71,253
Less Accumulated Depreciation				
Leasehold Improvements	0	(602)	0	(602)
Furniture & Equipments	(15,002)	(14,250)	0	(29,252)
Capital Assets, Net	\$64,675	(\$14,852)	\$0	\$49,823

**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 2009, the Academy contracted with Pashley Insurance Agency insurance coverage with the Hartford Casualty Insurance Company. 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	10,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Buildings	5,150,000
Business Personal Property	607,800
Excess/Umbrella Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 7 - Risk Management (Continued)**

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage from the prior year.

**Note 8 – Purchased Services**

For the fiscal year ended June 30, 2009, purchased service expenses were as follows:

Purchased Services	Amount
Personnel Services	\$1,839,226
Building Services	202,900
Food Service	165,544
Student Services	41,976
Staff and Administrative Services	442,201
Professional Services	38,231
Sponsor Services	49,343
Advertising	26,427
Total	<u><u>\$2,805,848</u></u>

**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 Employees Retirement System**

**Plan Description** - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**Funding Policy** - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contribution to SERS for the years ended June 30, 2009, 2008, and 2007 were \$23,880, \$21,016 and \$25,486, respectively, which equaled the required contributions each year.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

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, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$138,792, \$135,098 and \$101,263 respectively; 100 percent has been contributed for the fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for the fiscal year 2009 were \$0 made by the Academy and \$0 made by the plan members.

**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. The contribution rate is 6.2 percent of wages. As of June 30, 2009, none of the Academy staff have elected Social Security.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 10 – Postemployment Benefits**

**A. School Employees Retirement System**

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

**Medicare Part B Plan**

The Medicare 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 premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The Academy's contributions for the years ended June 30, 2009 and 2008 were \$1,721, \$1,514 respectively, which equaled the required contributions each year.

**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. 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 2009, 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 Academy contributes assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$10,897, \$9,590, and \$7,921, respectively.

The SERS Retirement Board establishes the rules for the premiums paid to 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 10 – Postemployment Benefits (Continued)**

**B. State Teachers Retirement System**

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,676 \$10,392 and \$7,789 respectively; 93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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, 2009.

**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. It was determined that no adjustment to the financial statements was necessary.

**Note 12 – Building Leases**

The Academy has entered into a lease for the period from July 1, 2007 through June 30, 2022 with EFA Company, LLC a wholly owned subsidiary of Mosaica Education, Inc. for the use of the Academy's building as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 16. Rent for 2008-09 totaled \$820,131. The lease is a triple net lease with base rent at \$60,350 per month and annual property taxes of \$98,297 passed through to the Academy. The owner/landlord has filed for property tax exemption under Ohio Revised Code 5709.07 and 3314.08. The application for exemption was pending at June 30, 2009.



**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**Note 12 – Building Leases (Continued)**

The following is a schedule of the future minimum payments, excluding allowable facility cost passthroughs, required under the operating lease as of June 30, 2009:

Fiscal Year Ending June 30	Amount
2010	\$ 736,270
2011	750,995
2012	766,015
2013	781,336
2014	796,962
2015-2019	4,230,373
Total minimum lease payments	<u>\$8,061,952</u>

**Note 13 – Long-Term Obligations**

Changes in the Academy's long-term obligations during fiscal year 2009 were as follows:

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Amount Due Within One Year
Mosaica Education Promissory Note	\$553,937	\$0	(\$296,382)	\$257,555	\$0
Capital Leases Payable	54,725	0	(10,592)	44,133	11,432
Long-Term Obligations	<u>\$608,662</u>	<u>\$0</u>	<u>(\$306,974)</u>	<u>\$301,688</u>	<u>\$11,432</u>

Mosaica Education, Inc. Promissory Note- On December 15, 2005, the Academy entered into a promissory note with Mosaica Education, Inc for the outstanding accounts payables. The promissory note had an interest rate of 9.0 percent and was fully retired during fiscal year 2009. On June 21, 2007 the Academy entered into a second promissory note for outstanding payables that had accumulated subsequent to entering the first note. The promissory note has an interest rate of 9.0 percent and matures in fiscal year 2012. There is no prepayment penalty for either promissory note.

The principal and interest requirements to retire the promissory note with Mosaica Education, Inc. outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30	Promissory Note	
	Principal	Interest
2010	0	0
2011	0	0
2012	257,555	69,540
Total	<u>\$257,555</u>	<u>\$69,540</u>

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**Note 14 – Capital Lease-Lessee Disclosure**

The Academy has entered into capitalized leases for the use of computer equipment and furniture. Each lease meets the criteria of 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. Principal retirements in 2009 were \$10,592.

	Amount
Property under Capital Lease	\$71,253
Less Accumulated Depreciation	(29,253)
Total June 30, 2009	\$42,000

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, 2009.

Capital Lease		
Fiscal Year Ending June 30	Principal	Interest
2010	11,432	2,981
2011	12,337	2,076
2012	13,316	1,097
2012	7,048	158
Total	\$44,133	\$6,312

**Note 15 –Tax Exempt Status**

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

**Note 16 – Related Party Transactions/Management Company**

The Academy contracts with Mosaica Education, Inc. for variety of services including management of personnel and human resources, board relation, 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 2009 was \$411,850. In addition, upon termination of the agreement due to nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay back Mosaica Education, Inc. \$100,000 per year for three consecutive years.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc. employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid to Mosaica Education Inc. during fiscal year 2009 were \$ 1,943,484.

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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**Note 16 – Related Party Transactions/Management Company (Continued)**

At June 30, 2009, the Academy had payables to Mosaica Education, Inc. in the amount of \$2,500,335.

The following is a schedule of payables to Mosaica Education, Inc.

	<u>Amount</u>
Payroll	\$1,072,290
Management Fee	390,449
Building and Equipment Rent	482,800
Real Estate Tax Passthru on Facility Lease	144,816
Interest/Finance Charges	377,525
Miscellaneous	<u>32,455</u>
Total June 30, 2009	<u><u>\$2,500,335</u></u>

**Note 17 – Sponsor**

The Academy was approved for operation under a contract with the Ohio Council of Community Schools Council (the Sponsor). As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation and other state aid. Total amount due and paid for fiscal year 2009 was \$49,343.

**Note 18 – Management’s Plan**

For fiscal year 2009, the Academy had an operating loss of (\$1,251,868), a net loss of (\$680,931), and net asset deficit of (\$2,645,982). Projected revenues and expenses for fiscal year 2010 indicate these financial difficulties will not be alleviated during fiscal year 2010. As of December 31, 2009, the Academy’s change in net assets was (\$264,412) and net asset deficit was (\$2,910,394).

Final full-time equivalents student enrollment was 362 and 411 students for the fiscal years ending June 30, 2009 and 2008, respectively. Current full-time equivalent student enrollment as of December 2009 is 359 students.

Management plans to continue efforts to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help reduce future deficits and operating losses.

**Note 19 – Subsequent Event**

An amended and restated Management Agreement was signed and approved by the Academy’s Board of Directors effective July 1, 2009. The amended agreement established a schedule of payment by the Academy to Mosaica Education, Inc for the \$300,000 start-up fee originally agreed upon in the February 12, 2004 Management Agreement. The amended agreement states that the start-up fee is a promissory note to be repaid starting July 1, 2009 and amortized through May 31, 2013 with regular equal monthly payments to be made on the fifteenth day of each month, starting with the first month after the start date. Upon any termination or expiration of this agreement by either party for any reason, the entire unpaid principle balance together with all accrued interest of the start-up note shall become due and payable by the Academy to Mosaica Education, Inc.

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**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>United States Department of Agriculture</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	\$ 62,712	\$ 62,712
National School Lunch Program	10.555	<u>150,209</u>	<u>150,209</u>
Total U.S. Department of Agriculture-Nutrition Cluster		<u>212,921</u>	<u>212,921</u>
<b><u>United States Department of Education</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies	84.010	317,590	323,949
Special Education Grants to States	84.027	80,112	72,634
Safe and Drug Free School and Communities State Grants	84.186	940	1,137
State Grants for Innovative Programs	84.298	749	802
Improving Teacher Quality State Grants	84.367	11,506	12,484
Education Technology State Grants	84.318	821	814
School Improvement Grant	84.377	<u>31,245</u>	<u>25,199</u>
Total United States Department of Education		<u>442,963</u>	<u>437,019</u>
<b>TOTAL FEDERAL AWARDS</b>		<b><u>\$ 655,884</u></b>	<b><u>\$ 649,940</u></b>

*The accompanying notes are an integral part of this schedule.*

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – TRANSFERS**

The Academy generally must spend Federal Assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, an Academy can transfer unspent Federal Assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education (ODE) authorized the following transfers:

<b>CFDA Number</b>	<b>Program Title</b>	<b>Grant Year</b>	<b>Transfers Out</b>	<b>Transfers In</b>
84.010	Title I Grant to LEA	2008	\$83,207	
84.010	Title I Grant to LEA	2009		\$83,207
84.367	Improving Teacher Quality	2008	\$14,629	
84.367	Improving Teacher Quality	2009		\$14,629
84.318	Education Technology Grant	2008	\$2,921	
84.318	Education Technology Grant	2009		\$2,921
84.186	Safe & Drug Free Schools	2008	\$1,972	
84.186	Safe & Drug Free Schools	2009		\$1,972
84.298	Innovative Education Program	2008	\$852	
84.298	Innovative Education Program	2009		\$852
84.027	Special Education	2008	\$1,332	
84.027	Special Education	2009		\$1,332



# Mary Taylor, CPA

## Auditor of State

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

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 43229

To the Board of Directors:

We have audited the basic financial statements of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, and have issued our report thereon dated February 5, 2010 wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Academy's management in a separate letter dated February 5, 2010.

#### **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 matter that we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 5, 2010





# Mary Taylor, CPA

Auditor of State

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

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 43229

To the Board of Directors:

### Compliance

We have audited the compliance of Columbus Humanities Arts and Technology 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 apply to each of its major federal programs for the year ended June 30, 2009. 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 express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Columbus Humanities Arts and Technology Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all efficiencies in the Academy's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned function, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2009-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider 2009-001 to be a material weakness.

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



**Mary Taylor, CPA**  
Auditor of State

February 5, 2010

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Board of Director’s Oversight of Federal Funds**

<b>Finding Number</b>	2009-001
<b>CFDA Title and Number</b>	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	U.S. Department of Agriculture U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency/Material Weakness**

The Academy contracts with Mosaica Education, Inc. for the operations at the School, including the management and administration of federal grant funds. While the Academy relies on Mosaica Education, Inc. for management and administration of these funds, the Board of Directors are responsible for the management company’s activities since the Academy is considered the subrecipient of the federal grant funds.

The Academy should not defer their responsibilities for the management and administration of grant funds to Mosaica Education, Inc., who have a vendor relationship with the Academy. The Academy is required to have policies in place to comply with federal compliance requirements, including but not limited to procurement requirements. Schools that receive federal funds must comply with 34 CFR 80.36, *Procurement* and 34 CFR 74.40, *Purpose of Procurement Standards*.

Employees of Mosaica Education, Inc. maintain the Academy’s bank account, but can only manage and administer the federal programs on-behalf of the Academy. It is the responsibility of the Board of Directors as representatives of the Academy to have formal policies or procedures in place to authorize approve and oversee the federal grant funds under their authority. Currently the Board of Directors reviews monthly overall financial activity of the Academy as opposed to a detailed review of federal activity.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Board of Director’s Oversight of Federal Funds (Continued)**

<b>Finding Number</b>	2009-001
<b>CFDA Title and Number</b>	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	U.S. Department of Agriculture U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency/Material Weakness (Continued)**

We recommend that the Board of Directors implement procedures to authorize, approve, and oversee the federal funds of the Academy. Suggested policies and procedures include establishing a formal policy regarding competitive bidding or quotes, monitoring the annual application for federal funds, reviewing a monthly list expenses charged against each federal grant, and reviewing the final expenditure report for each grant at the end of each grant year.

**Officials Response/Corrective Action Plan:**

While it is accurate that the Academy’s Board contracts for the administration, oversight and reporting of its state and federal programs, it is important to note that in no circumstances has the Academy’s management company, Mosaica Education, ever received disbursements of state or federal grant funds from the Ohio Department of Education. In fact, the Ohio Department of Education has all state and federal funds directly deposited in the Academy’s bank account. As such, the Academy has physical custody of all local, state and federal funds. In addition, prior to the start of each fiscal year, the Academy’s Board adopts a budget that specifies how local, state and federal sources can be spent. The Board budget is revised periodically throughout the year to keep it aligned with the way the Ohio Department of Education approves spending for the various state and federal grant programs. If the Board were to disagree with the way local, state or federal programs have been budgeted, they have the ability to request that changes be made prior to adoption of the budget. As noted by the auditors, the Board does receive line item budget to actual reports with each grant grouped separately on a monthly basis to keep them informed as to the progress of spending dollars in accordance with the budget they and the Ohio Department of Education have approved.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Board of Director's Oversight of Federal Funds (Continued)**

<b>Finding Number</b>	2009-001
<b>CFDA Title and Number</b>	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	U.S. Department of Agriculture U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency/Material Weakness (Continued)**

**Officials' Response/Corrective Action Plan (Continued):**

The Board and its administrative team agree to abide by federal grant program guidelines as a condition of receiving federal funding. The Board and its management believe that this finding does not accurately reflect the true level of involvement of the Academy's Board as the Board does fulfill its fiscal responsibilities by actively monitoring the operations of the Academy, including federal and state grant programs through monthly budget to actual comparison reporting that details expenditures at the individual grant line item level.

**Auditor of State Conclusion:**

Although there is a bank account maintained in the Academy's name, employees of Mosaica Education, Inc. administer the funding that is collected and spent from that bank account. In addition, the federal grants of the Academy are applied for and administered in the Academy's name by employees of Mosaica Education, Inc. The Auditor of State is recommending that the Board authorize grants to be received by Academy, ensure policies and procedures are in place to ensure proper procurement of federal funds, and oversee the grant expenditures throughout the year to ensure that federal monies are spent in accordance to the grant applications.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	<b>Ohio Revised Code § 3314.02(E):</b> Insufficient number of Board Members	Yes	N/A

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# Mary Taylor, CPA

## Auditor of State

### Independent Accountants' Report on Applying Agreed-Upon Procedures

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 44229

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. 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 definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) 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;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) 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;
- (10) A requirement that the Academy administration semiannually provide the president of the Board of Directors a written summary of all reported incidents and post the summary on its web site, if the district 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.

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 of Directors, management, and the Ohio Council of Community Schools and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 5, 2010



**Mary Taylor, CPA**  
Auditor of State

**COLUMBUS HUMANITIES, ARTS & TECHNOLOGY 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 6, 2010**