

FULTON LEADERSHIP ACADEMY, INC.  
FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013

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**C. Douglas Erwin, Jr., CPA**  
***Certified Public Accountants***  
**4480-H South Cobb Drive, Suite 106**  
**Smyrna, Georgia 30080**  
**Telephone: (770) 912-3080**  
**Fax: (404) 348-4197**

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September 24, 2013

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Fulton Leadership Academy, Inc.  
East Point, Georgia

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton Leadership Academy, Inc. (the Organization), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

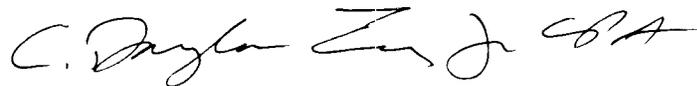
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fulton Leadership Academy, Inc. as of June 30, 2013 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-8 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 24, 2013 on my consideration of the organization's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**FULTON LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2013**

Our discussion and analysis of Fulton Leadership Academy, Inc.'s annual financial performance provides an overview of the Organization's financial activities for the fiscal year ended June 30, 2013. This section should be read in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- The assets of the Organization exceeded its liabilities by \$88,779.
- Net position increased by \$5,598.
- Total revenues of \$1,447,961 were comprised of state of Georgia QBE and facility grant funds (80%), Federal grants and cost reimbursements (11%) and Charitable Giving/Other Parent funds (9% ).

**Overview of the Financial Statements**

This financial report consists of a series of financial statements, notes to those statements and required supplementary information. The statements are organized so that the reader can understand the Organization as a whole and then proceed to a detailed look at specific financial activities of the Organization.

**Reporting the Organization as a Whole**

The Statement of Net Position and Statement of Activities

In general, users of these financial statements want to know if the Organization is better off or worse off as a result of the year's activities. The statement of net position and statement of activities report information about the Organization as a whole and about the Organization's activities in a manner that helps to answer that question. These statements include all assets and liabilities of the Organization using the accrual basis of accounting. Under the accrual basis, all of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position reports the Organization's net position (total assets less total liabilities). Private sector entities would report stockholders' equity. The Organization's net asset balance at year end represents available resources for future growth. The statement of activities reports the change in net position as a result of activity during the year. Private sector entities have a similar report titled statement of operations, which reports net income. It provides the user a tool to assist in determining the direction of the Organization's financial health during the year. Users will want to consider non-financial factors as well as the financial data in arriving at a conclusion regarding the overall health of the Organization.

**FULTON LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2013**

**Reporting the Organization's Funds**

Fund Financial Statements

The Organization's fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances provide detailed information about the Organization's most significant funds, not the Organization as a whole. Funds are established by the Organization to help manage money for particular purposes and compliance with various grant provisions.

The Organization's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the Organization wide financial statements to report on the Organization as a whole.

**Organization Wide Financial Analysis**

Net Position

The Organization's assets exceeded its liabilities at the close of the fiscal year, resulting in net position of \$88,779. The Organization's assets include \$88,347 of cash which is available to meet the Organization's ongoing activities.

The school operates in a campus which is owned by a community church. The agreement provides that the Organization will pay rent of \$8,000 per month plus \$3,800 per month for janitorial and cleaning services. The school moved to a new facility in East Point, GA for the new school year 2013-2014. This facility can house up to 560 students.

The school paid off \$22,000 in loans in the year ended June 30, 2013. All interest on these loans were forgiven by the debtor.

**Budgetary Comparison**

Actual revenues were \$34,281 greater than budgeted principally due to changes in allotment from the state of Georgia mid-term, differences in amount of fundraising, and more federal funds being allotted. Expenditures were \$13,375 more than budgeted mostly due to use of the increased revenues for the school's functions. The Organization expects no impact on future services or liquidity as a result of these variances.

**FULTON LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2013**

A schedule of the Organization's net position as of June 30, 2013, is as follows:

Cash	\$ 88,347
Receivables	69,640
Capital Assets	<u>12,254</u>
Total Assets	<u>\$ 170,241</u>
Current liabilities	81,462
Long-Term Liabilities	<u>- 0 -</u>
Total Liabilities	<u>\$ 81,462</u>
Net position	
Invested in Capital Assets	\$ 12,254
Unrestricted	<u>76,525</u>
Total net position	<u>\$ 88,779</u>

Changes in Net position

The Organization's total net position increased \$5,598 during the 2013 fiscal year. The increase in the Organization's net position indicates that the Organization had more incoming revenues than outgoing during the year. The Organization received \$1,161,541 from the Georgia Charter School Commission and the state of Georgia Department of Education, \$152,880 from Federal sources, and \$133,540 in direct public support and other miscellaneous revenues for a total of \$1,447,961 during the 2013 fiscal year.

Major program expenses by function include \$600,898 for instructional costs, pupil services of \$33,173, improvement to instructional services (including field trips costs) \$68,027 administration and central support costs of \$446,970, maintenance and operation of plant services of \$150,701, and nutritional costs of \$126,524. Total expenditures were \$1,426,293.

Accounts payable of \$19,153 includes \$10,128 in benefits for the June payroll which were paid in July and \$9,025 in regular trade payables. Accrued expenses of \$62,309 reflect salaries, taxes, and benefits due for the July payroll on teachers who have twelve month contracts as required by state regulations where their contract begins in August and ends in July. A receivable is recorded in the amount of \$69,640 from the state of Georgia for revenues to be received in July for the salary, taxes, and benefit accrual.

**FULTON LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2013**

**Financial Analysis of the Organization's Funds**

The Organization's funds, as presented on the balance sheet reported a combined fund balance of \$76,525. The general fund is supported by funding from the state and federal agencies. The federal funding works in such a manner that the Organization expends money first from its general fund and then receives reimbursement from the federal source such as for Title I or II programs or the nutrition program, therefore the Organization does not have a fund balance for any other fund but the general fund. Donations from parents or others and funds received from students for field trips for example typically only partially reimburse the Organization for its costs so there are not separate funds established for these other sources of revenue. Therefore the general fund reports all activities of the Organization.

The primary differences between the amounts reported under the Organization's funds and the amounts reported as Organization wide are that capital purchases are reported as expenditures in governmental funds and as assets in the Organization wide financials and that long-term debt, if any, is reported in the Organization wide financials but not in governmental funds.

**Organization Activities**

The Organization's mission is to empower young men to be confident, civic minded leaders who excel in academics. Enrollment for 2012-2013 consisted of approximately 158 sixth grade students. With a focus on high student performance and belief that with hard work all students will learn, the Organization offers small class sizes with classes ranging from 15 to 20 students.

**Student Enrollment Factors and Next Year's Budget**

Enrollment in 2014 is projected to be 250 students and we anticipate an increase in total funding as a result, however we expect funding per pupil to decrease. We plan to continue to improve our communications and fundraising efforts with individuals and organizations who have visited the school since its inception. These non-government resources are an important funding source. Expenses should increase with the additional enrollment.

**Contact Information for the Organization's Financial Management**

This financial report is designed to provide our students' parents, taxpayers, donors, creditors, authorities over grant funding and agencies tasked with oversight of Georgia public schools with a general overview of the Organization's finances and to demonstrate the Organization's accountability of the money it receives. If you have questions about this report or need additional financial information, contact the Organization's Board Chairman, Mr. Kent Gregory or the school founder, Ms. Richardean Golden Anderson both of whom can be reached at 1706 Washington Rd; East Point, Georgia 30344 and also by telephone at (404) 472-3529.

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

EXHIBIT "A"

ASSETS

Cash and Cash Equivalents	\$ 88,347
Accounts Receivable	69,640
Capital Assets (net of depreciation of \$30,293)	12,254
Total Assets	<u>\$ 170,241</u>

LIABILITIES

Accounts Payable	\$ 19,153
Accrued Expenses	62,309
Total Liabilities	<u>81,462</u>

NET POSITION

Invested in Capital Assets	12,254
Unrestricted Net Assets	76,525
Total Net Assets	<u>88,779</u>
Total Liabilities and Net Assets	<u>\$ 170,241</u>

The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013**

EXHIBIT "B"

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes In Net Position</u>
		<u>Operating Grants</u>	<u>Capital Grants</u>	
Instruction	616,968	512,945		(104,023)
Support Services				
Pupil Services	33,173	19,032		(14,141)
Improvement of Instructional Services	52,921	38,501		(14,420)
Educational Media Services	0	11,387		11,387
General Administration	6,483	15,187		8,704
School Administration	291,435	63,874		(227,561)
Support Services - Business	122,193	0		(122,193)
Maintenance and Operation of Plant	150,701	66,492		(84,209)
Student Transportation Program	15,106	0		(15,106)
Support Services - Central	25,359	0		(25,359)
School Nutrition Program	126,524	97,757		(28,767)
Enterprise Operations	0			0
Other Support Services	1,500	1,500		0
Interest on Short-Term and Long-Term Debt	0	8		8
 Total	<hr/> 1,442,363	<hr/> 826,683	<hr/> 0	<hr/> (615,680)
 General Revenues				524,065
Fundraising				97,213
Total General Revenues				<hr/> 621,278
 Change in Net Position				<hr/> 5,598
 Net Position - Beginning of Year				83,181
 Net Position - Ending of Year				<hr/> <hr/> \$ 88,779

The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

EXHIBIT "C"

ASSETS

Cash and Cash Equivalents	\$ 88,347
Accounts Receivable	69,640
Total Assets	<u>\$ 157,987</u>

LIABILITIES

Accounts Payable	\$ 19,153
Accrued Expenses	62,309
Total Liabilities	<u>81,462</u>

FUND BALANCES

Unreserved, Undesignated, Reported in General Fund	76,525
Total Fund Balances	<u>76,525</u>
Total Liabilities and Fund Balances	<u>\$ 157,987</u>

The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2013**

EXHIBIT "D"

Total Fund Balances - Governmental Funds	\$	76,525
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Furniture & Equipment	42,547		
Accumulated Depreciation	<u>(30,293)</u>		
Total Capital Assets			<u>12,254</u>

Net Position of Governmental Activities	\$	<u>88,779</u>
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The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

EXHIBIT "E"

<b><u>Revenues</u></b>	
Local Funds	\$ 133,540
State Funds	1,161,541
Federal Funds	152,880
Total Revenues	1,447,961
<b><u>Expenditures</u></b>	
Instruction	600,898
Support Services	
Pupil Services	33,173
Improvement of Instructional Services	52,921
Educational Media Services	-
General Administration	6,483
School Administration	291,435
Support Services - Business	122,193
Maintenance and Operation of Plant	150,701
School Transportation Program	15,106
Support Services - Central	25,359
School Nutrition Program	126,524
Other Support Services	1,500
Debt Service	
Total Expenditures	1,426,293
Excess of Revenues over (under) Expenditures	21,668
Net Change in Fund Balances	21,668
Fund Balances - Beginning	54,857
Fund Balances - Ending	\$ 76,525

The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT "F"

Total Change in Fund Balances - Government Funds	\$	21,668
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Costs for services for future periods but which are committed in the current period are reported as expenditures from government funds but are considered assets for Governmental Activities.</p>		(7,900)
<p>Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital Outlay	-	
Depreciation Expense	<u>(8,169)</u>	
Excess of Capital Outlay over Depreciation Expense		<u>(8,169)</u>
Rounding		(1)
Change in Net Assets of Governmental Activities	\$	<u><u>5,598</u></u>

The notes to the basic financial statements are an integral part of this statement.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Organization are as follows:

Organization Description

Fulton Leadership Academy, Inc. operates as a public charter school in Atlanta, Georgia. The Organization was formed as a non-profit corporation under the laws of the state of Georgia in February 2008. The Organization commenced its first year of teaching in the 2010/2011 academic school year. The Organization's mission is to empower young men to be confident, civic minded leaders who excel in academics.

Basis of Accounting

The Organization's financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Organization, in accordance with GASB Statement No. 34 is considered a special purpose governmental entity and is a component unit of another governmental entity. The financial statements have been prepared in the same manner as general purpose governments.

The Organization's basic financial statements include both government-wide (reporting the Organization as a whole) and fund financial statements (reporting the Organization's major funds). The Organization's primary activities are all considered to be governmental activities and are classified as such in the government-wide and fund financial statements.

The government-wide financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis revenues are recognized when measurable and available and expenses are recognized when the related liability is incurred.

For the year ended June 30, 2013, there were reconciling differences between the government-wide financial statements as prepared on the accrual basis of accounting and the governmental funds financial statements as prepared on the modified accrual basis of accounting, and such schedules of reconciliation have been presented.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Statements

The government-wide statements focus on the sustainability of the Organization as an entity and the change in the Organization's net position resulting from the current year's activities. In the government-wide statement of net position, activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of net position presents the financial condition of the Organization at year-end. Statement 34 requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances (if any) of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt. When both restricted and unrestricted assets are available for use, it is the Organization's policy to utilize restricted assets first, then unrestricted assets as needed.

The government-wide statement of activities reports both the gross and net cost of the Organization's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district FTE funding and donations to the general fund). The statement of activities reduces gross expenses by related function revenues, operating and capital grants. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue. The Organization allocates indirect cost between functions.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

The financial transactions of the Organization are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenses.

The emphasis of fund financial statements is on the major funds. Non-major funds by category are summarized in a single column. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The Organization's only major fund is the General Fund. The General Fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization, except those required to be accounted for in another fund.

The governmental funds' focus is upon the determination of financial resources, their balance, sources and use, rather than upon net income. The Organization follows Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (Statement 54). Statement 54 classifies governmental fund balances as: nonspendable, restricted, committed, assigned and unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the Organization's policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is the Organization's policy to spend funds in the following order, committed, then assigned, and lastly unassigned funds. The classifications of fund balances are defined as follows:

- Non-spendable - This classification consists of fund balances that cannot be spent because they are either not in spendable form, for example, noncash amounts that are not expected to be converted to cash, or the funds are legally or contractually required to be maintained intact.
- Restricted - This classification consists of fund balances with external constraints on use imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Committed - This classification consists of fund balances that can only be used for specific purposes established by formal action of the Organization's Board of Directors, its highest level of decision making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process the same body employed to previously commit those amounts.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements- Continued

- Assigned - This classification consists of all fund balances that are not in the general fund or classified as non-spendable, restricted or committed. In addition, general fund balances which the Organization intends to use for specific purposes are also classified as assigned. The Organization gives the authority to assign amounts to specific purposes to the Organization's controller and personnel under the supervision of the controller tasked with financial recording responsibilities.
  
- Unassigned - This classification consists of all fund balances in the general fund that are not reported as non-spendable, restricted, committed or assigned.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis. Expenses have been classified based upon the actual direct expenditures or cost allocations based upon time spent by Organization personnel.

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. As of June 30, 2013, the Organization's cash balances did not exceed the FDIC insurance limit. The Organization considers all highly liquid accounts with an original maturity of three months or less as cash equivalents.

Capital Assets

The Organization has purchased furniture and equipment which are reflected as capital assets in the government-wide financial statements. Generally, the Organization seeks to match expenditures with revenues in the governmental financial statements for the budgetary period expended and received, however in the government wide financial statements, capital costs which provide a specific future useful benefit of greater than one year whose cost exceeds \$5,000 are recorded as an asset and are depreciated using the straight-line depreciation method over the useful lives of the assets which are estimated by management.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Direct Public Support

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grant Revenues

The Organization receives financial assistance through federal, state and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Organization.

Income Taxes

The Organization is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Organization is not required to pay taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the IRC.

Estimates and Uncertainties

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

Revenue Recognition

The Organization recognizes revenue when it is measurable and available. For these purposes, available means that the Organization expects to collect the funds within 60 days.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 2 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

- Accounts Payable represents normal trade payables.
- Accrued Expenses principally represents amounts owed for payroll expenses and related taxes and benefits for employees, primarily teachers, who are paid after the end of the school year and fiscal year have ended and for employees who are funded from the current budget for summer school.

NOTE 3 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential recognition and disclosure through September 24, 2013, the date the financial statements were available to be issued.

NOTE 4 - GRANTS

Federal Sources

The Organization receives funding from federal sources including \$61,437 in free and reduced lunch funds, \$65,552 in Title I funds, \$2,031 in Title IIA funds , and \$23,860 in Special Ed funding.

State Sources

The Organization was awarded a \$30,000 grant from the state of Georgia to assist with the cost of its rental payments for the school's facilities.

NOTE 5 - STATE FUNDING

The Organization received a charter from the Georgia Charter Schools Commission ("the Commission"), an agency created by the state legislature, which authorized the Organization to operate a public charter school for a term of five years beginning July 1, 2010. The Commission received and allocated to its charter schools both state funds allotted under the state of Georgia's QBE (Quality Basic Education) funding formula and local (municipal and county) tax funds to equalize funding between charter schools which are created by local educational authorities (school boards) and those authorized by state agency (the Commission).

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 5 - STATE FUNDING - continued

However, the Georgia Supreme Court ruled that the Commission is unconstitutional and therefore, the Organization's charter was no longer viable. Therefore, while the state considered options for schools such as Fulton Leadership Academy, which were created by the Commission, the Georgia State Board of Education issued a new two year charter to the Organization for the 2012-2013 and 2013-2014 fiscal years which authorized the Organization to provide public education to enrolled students, boys only, in grades 6 - 12, beginning with grade six and seven in the first year of the new charter, the 2012-2013 school year. Funding for the school in the 2012-2013 was approximately \$7,236 per student from state QBE funds.

During the current fiscal year, the citizens of the state of Georgia passed a constitutional amendment that effectively reauthorized the charter school commission and the Organization was granted a new five year charter by the Georgia Charter Schools Commission which begins in the 2013-2014 fiscal year.

In the Governmental Funds financial statements, the amount reflected as "State Funds" represents the amounts received and receivable for the current fiscal year, however in the Statement of Activities, funds received from the state of Georgia and from federal sources for specific program functions are first used to reduce those functional costs for which they are appropriated before they are released and reported as general revenues.

NOTE 6 -RETIREMENT PLAN DESCRIPTION

The Organization participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances and other benefits for teachers of the State of Georgia. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy

Employees of the Organization who are covered by TRS are required by State statute to contribute 6% of their gross earnings to TRS. The Organization makes monthly employer contributions to TRS 11.41% of gross earnings for covered employees.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 6 -RETIREMENT PLAN DESCRIPTION - continued

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Required</u>	<u>Amount Contributed</u>
2013	100%	\$ 83,574
2012	100.0%	\$ 63,181
2011	100.0%	\$ 42,486

NOTE 7 – RISK MANAGEMENT

Insurance

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors or omissions, job related illness or injuries to employees, acts of God and unemployment compensation but has reduced its risks by purchasing insurance as follows. Property insurance coverage of \$145,000, general liability coverage of \$3,000,000 in the aggregate and \$1,000,000 per occurrence, automobile coverage of \$1,000,000, commercial crime coverage ranging from \$50,000 to \$500,000 depending upon the event, educator professional liability coverage of \$3,000,000 in the aggregate and \$1,000,00 per occurrence, vicarious liability coverage of \$2,000,000 in the aggregate and \$1,000,000 per occurrence, student accident coverage of \$25,000, sport liability coverage of \$3,000,000, directors and officers and employment practices coverage of \$1,000,000, employment benefits liability coverage of \$3,000,000, electronic data processing equipment coverage of \$109,534, umbrella coverage of \$5,000,000, and workers compensation liability as required by Georgia statute. The School is self-insured for its deductibles which range from \$1,000 to \$5,000.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the School will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School does not have a formal policy for managing custodial credit risk because the School does not carry investments on its books.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 8 - ECONOMIC DEPENDENCY

As described above, the Organization operates the school under a charter agreement with the State of Georgia and is therefore 100% economically dependent upon the state for its support. In addition, the limited term of the charter described above creates a risk that the state does not renew or extend the terms of that charter which would mean the Organization would not likely survive as a going concern. The school is subject to significant variability in its funding which depends upon the allotment in the state budget and the number of students who enroll.

NOTE 9 – CAPITAL ASSETS & DEPRECIATION

The Organization has recorded the following changes to its capital assets, which are all in the furniture and equipment class.

<u>Asset Cost</u>	
Total, Beginning of Year	\$ 42,547
Purchases & Other Additions	- 0 -
Sales & Other Deletions	<u>- 0 -</u>
Total, End of Year	<u>\$ 42,547</u>

Depreciation expense was \$8,169 and was all for the Instruction function.

NOTE 10 - FACILITY LEASE

The charter school operated in approximately 35,000 square feet of classroom and administrative space leased from Friendship Community Church of College Park under a one year agreement from August 1, 2011 to June 30, 2012 at a rate of \$8,000 per month plus \$3,800 per month payable under a separate agreement for janitorial and cleaning services. At the end of the lease term, the school has continued to utilize the facility under a verbal month-to-month arrangement space while it negotiated a new lease agreement with the lessor. The Organization decided to relocate its facilities to a building owned by Peachtree Christian Ministries commencing with the 2013-2014 school year. Although the school has moved to the new location in East Point, Georgia, rent payments have not commenced at this time while renovations continue. The lease commitment schedule below reflects payments which are due under the lease but which will be modified once the rental payments begin.

**FULTON LEADERSHIP ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 11 - COMMITMENTS

The Organization entered into a three year non-cancellable agreement with Snap Technology, Inc. to provide hardware, software, and IT support for the school's computer infrastructure system beginning October 2013 for \$2,400 per month to replace a prior contract which expired in July 2013 and was continued month to month through September 2013 at \$2,052.50 per month.

Telephone and internet services are provided by C-Beyond under a non-cancellable three year agreement beginning August 2010 at \$399 per month, however the contract has rolled over for an additional three year term at \$492 per month.

Minimum lease commitments for non-cancellable lease agreements with terms exceeding one year for the next five years and thereafter are as follows:

<u>Year Ended</u>	<u>Total Payments</u>
June 30, 2014	\$ 151,544
June 30, 2015	166,979
June 30, 2016	170,879
June 30, 2017	148,042
June 30, 2018	151,425
Thereafter	<u>161,800</u>
Total Due	<u>\$ 950,669</u>

NOTE 12 - CONTINGENCIES

The Organization is required to exercise control over grant funds, QBE funds, and federal funding in accordance with requirements of oversight authorities. Failure to comply with terms of these agreements could result in loss of future funding but also a requirement that the Organization return those funds. At this time, management is not aware of any requirement to return funds and has not been notified that its funding will be reduced.

**REQUIRED SUPPLEMENTARY INFORMATION**

FULTON LEADERSHIP ACADEMY

SCHEDULE "1"

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2013

	<u>NONAPPROPRIATED BUDGETS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE OVER/UNDER</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
State Funds	\$ 1,196,029	\$ 1,196,029	\$ 1,161,541	\$ 34,488
Federal Funds	126,784	126,784	152,880	-26,096
Local Funds	90,867	90,867	133,540	-42,673
Total Revenues	<u>\$ 1,413,680</u>	<u>\$ 1,413,680</u>	<u>\$ 1,447,961</u>	<u>\$ -34,281</u>
<u>EXPENDITURES</u>				
Instruction	643,070	643,070	600,898	42,172
Support Services				
Pupil Services	68,698	68,698	33,173	35,525
Improvement of Instructional Services	4,401	4,401	52,921	-48,520
Educational Media Services	0	0	0	0
General Administration	0	0	6,483	-6,483
School Administration	268,131	268,131	291,435	-23,304
Support Services - Business	124,822	124,822	122,193	2,629
Maintenance and Operation of Plant	149,790	149,790	150,701	-911
School Transportation Program	0	0	15,106	-15,106
Support Services - Central	22,708	22,708	25,359	-2,651
School Nutrition Program	131,298	131,298	126,524	4,774
Other Support Services	0	0	1,500	-1,500
Debt Service	0	0	0	0
Total Expenditures	<u>\$ 1,412,918</u>	<u>\$ 1,412,918</u>	<u>\$ 1,426,293</u>	<u>\$ -13,375</u>
Excess of Revenues over (under) Expenditures	<u>\$ 762</u>	<u>\$ 762</u>	<u>\$ 21,668</u>	<u>\$ -20,906</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	\$ 0	\$ 0	\$ 0	\$ 0
Other Uses	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ 762</u>	<u>\$ 762</u>	<u>\$ 21,668</u>	<u>\$ -20,906</u>
Fund Balances - Beginning	54,857	54,857	54,857	0
Adjustments to Fund Balance	0	0	0	
Fund Balances - Ending	<u>\$ 55,619</u>	<u>\$ 55,619</u>	<u>\$ 76,525</u>	<u>\$ -20,906</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

**INTERNAL CONTROL AND COMPLIANCE**

**C. Douglas Erwin, Jr., CPA**  
***Certified Public Accountants***  
**4480-H South Cobb Drive, Suite 106**  
**Smyrna, Georgia 30080**  
**Telephone: (770) 912-3080**  
**Fax: (404) 348-4197**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 24, 2013

To The Board of Directors  
Fulton Leadership Academy, Inc.  
Atlanta, Georgia

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fulton Leadership Academy, Inc. as of and for the year ended June 30, 2013, which collectively comprise the Fulton Leadership Academy, Inc.'s basic financial statements and have issued my report thereon dated September 21 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Fulton Leadership Academy, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I do not express such an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

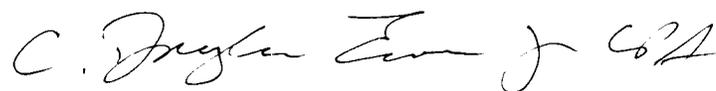
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting which are described as 2013-001. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fulton Leadership Academy, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests found instances of noncompliance that are required to be reported under Government Auditing Standards, which are described as finding 2013-002.

Fulton Leadership Academy, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Fulton Leadership Academy, Inc.'s response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and the awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "C. Douglas Evans, CPA". The signature is written in a cursive style with a large, stylized "C" and "E".

**FULTON LEADERSHIP ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-001: Significant Deficiency - Preparation of Financial Statements - Finding Repeated from Previous Year Finding 2012-001**

Condition: The Organization did not prepare complete financial statements in accordance with generally accepted accounting principles as prescribed by the Government Auditing Standards Board (GASB), and accordingly, such financial statements have been prepared by the auditor. Complete financial statements include the Organization's government-wide and fund financial statements, notes to financial statements, consistent classifications and disclosures required by generally accepted accounting principles by GASB.

Criteria: The preparation of financial statements in accordance with generally accepted accounting principles by GASB is a significant function of the Organization's internal control system.

Cause: The Organization does not have procedures in place to identify changes in reporting requirements prescribed by governing bodies.

Effect: The Organization did not prepare complete financial statements in accordance with generally accepted accounting principles as prescribed by GASB, and accordingly, such financial statements have been prepared by the auditor. The auditor cannot be considered a part of the Organization's internal control over financial reporting, resulting in a significant deficiency over the financial statement reporting process.

Recommendation: We recommend that the Organization develop policies and procedures to identify any changes in reporting requirements as required by the Board of Education.

Views of Responsible Officials and Planned Corrective Actions: As a small organization we prepare financial statements that are useful to our governing board which are prepared on a governmental fund basis, however we do not prepare government wide financials with reconciliations as they are not useful to our board in its oversight. Recognizing the importance of the complete financial statements to the various stakeholders, we utilized the auditor to assist us in preparation of the statements and required disclosures. We have designated a suitable individual to review the complete financial statements prepared by the auditor so that management can accept responsibility for these financial statements however we concur with these findings and we are currently addressing the issues listed.

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-002: Compliance With Laws & Regulations - Participation in electronic federal work authorization program**

Condition: The Organization did not participate in the electronic federal work authorization program for its employees, did not require that its contractors and their subcontractors participated in the program, did not require that participation in the program be a part of all contracts for services, and did not establish a monitoring and verification system to ensure that its contractors and their subcontractors participated

Criteria: Pursuant to O.C.G.A. 13-10-91, every public employer, every contractor of a public employer, and every subcontractor of a public employer's contractor must register and participate in a federal work authorization program to verify the work eligibility information of all new employees. "No public employer shall enter into a contract for the physical performance of services within this state unless the contractor registers and participates in a federal work authorization program to verify the work eligibility information of all new employees." Under Senate Bill 529 and Georgia Department of Labor rule 300-10-1 the applicable federal work authorization program is the "Employment Eligibility Verification (EEV)/Basic Pilot Program" operated by the U. S. Citizenship and Immigration Services Bureau of the U.S. Department of Homeland Security, in conjunction with the Social Security Administration (SSA).

The Georgia Department of Labor has established rules under chapter 300-10-1 that require the public employer to do the following:

- a. Participate in the verification program for its own employees.
- b. Include in all contracts a provision that compliance with the statute and rules are conditions of the contract, a listing of the employee category applicable to the contractor, a provision that if the contractor employs or contracts with any subcontractor it will secure the applicable documentation of participation in the program, a provision that the contractor's compliance will be evidenced by an affidavit, that the contractor will obtain affidavits of participation from its subcontractors, and that all provisions of the contract pertaining to compliance will be open to public inspection.
- c. Transmit to its agency head or other designated individual its certification of registration and participation in the program.
- d. Designate an individual to monitor new employee work eligibility and maintain a file of all written records required.

**FULTON LEADERSHIP ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-002: Compliance With Laws & Regulations - Participation in electronic federal work authorization program - Continued**

Cause: The Organization was unaware of its responsibility to participate in the electronic verification program. The payroll administrator obtains physical identification documents and completes Form I-9 so that the Organization was in compliance prior to the implementation of the statute but was unaware that public employers were required to participate in the electronic verification program.

The Organization was also unaware of its requirement to establish a system to ensure that its contractors and their subcontractors also participate in the system.

Effect: Failure to comply with these laws and regulations can subject the Organization to regulatory actions.

Recommendation: We recommend the Organization in conjunction with its legal counsel review its requirements under the law, that it initiate and complete the registration process to participate in the program for its own employees and designate an individual to ensure compliance, that it engage legal counsel to draft language to amend all contracts affected by the statute, and that it establish the monitoring and certification program as required.

Views of Responsible Officials and Planned Corrective Actions: We agree with the findings and are reviewing the requirements so that we can implement corrective action.

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2012-002: Non-Compliance - Administration of Grant Funds**

Condition: The following variances were noted from approved implementation grant invoices totaling \$127,585: \$34,693 for laptops approved but purchased from different vendor, \$4,970 for copier approved but for different price, and \$24,317 not approved but within the approved budget category. Of \$127,585 in approved expenditures, \$65,939 was paid within thirty days of receipt of grant funds and the balance was paid after thirty days but before the end of the fiscal year.

Criteria: The Georgia Department of Education (GADOE) is the cognizant oversight authority for federal implementation grant funds and establishes procedures for reimbursement from grant funds of approved expenditures. The procedure requires the grantee to submit proposed expenditures to GADOE for approval, after which, funds are transmitted to the Organization for timely payment of the expenditure. The Organization must establish a system to ensure that approved expenditures are timely paid so that grant funds are not used for other services. The grantee must request approval of an amended budget.

Cause: The Organization believed that purchasing similar items as those approved did not require GADOE approval.

Effect: The Organization did not follow grant procedures established by GADOE.

Recommendation: We recommend the Organization establish controls over grant funds that would require all approved grant expenditures to be paid within ten days of receipt of grant funds. We recommend that the Organization seek approval from GADOE or any other cognizant oversight authority for any budget amendments to grant funds. We recommend that the Organization provide documentation of the expenditures to GADOE if requested.

Views of Responsible Officials and Corrective Actions: We agreed with the finding. The school's financial team is now reporting all grants received to the school's board for review. All grant requirements will be highlighted for discussion and update. At the end of the grant term, if applicable, the finance team will report on the closing of the grant at a board meeting. The Board feels like these procedures will increase the school's controls over grant funds received.

Current Status: Corrected

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2012-003: Compliance - Personnel Files**

Condition: The Organization maintains files for all employees in which it stores records such as references, transcripts, certifications, background checks, and proof of eligibility to work. A review of the files indicated deficiencies in all files examine.

Criteria: Various regulatory authorities dictate requirements for work such as obtaining proof of eligibility to work.

Cause: The Organization believed it had proper documentation in each file but did not have a procedure to ensure this compliance.

Effect: Failure to comply with these laws and regulations can subject the Organization to lawsuit or regulatory actions.

Recommendation: We recommend the Organization direct its personnel manager to review all files and to correct deficiencies.

Views of Responsible Officials and Corrective Actions: We agreed with the finding. The school has reviewed the findings on the employee files and has made all necessary adjustments to ensure the files are in compliance. The files will be audited by an administrative staff person shortly after the new hiring process annually, to ensure completeness.

Current Status: Corrected

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-004: Compliance - Regulatory Notice**

Condition: The Organization received a notice regarding submission of an interim report for student address and safety level data after the deadline.

Criteria: Various regulatory authorities dictate dates on which reporting should be made.

Cause: The Organization did not utilize a compliance calendar.

Effect: Failure to comply with these laws and regulations can subject the Organization to regulatory actions.

Recommendation: We recommend the Organization establish a compliance calendar to assist it with dates that reporting is due.

Views of Responsible Officials and Corrective Actions: We agreed with the finding. The Administrative Team has created a schedule of reports to the state and will be reviewed and updated in monthly board and staff meetings.

Current Status: Corrected

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-005: Compliance - Insurance**

Condition: The facility lease agreement requires the Organization to maintain umbrella insurance of \$2 Million. This coverage was cancelled on August 23, 2011. The lease agreement requires the insurance policies to name the lessor as additional insured and to contain other language related to which policy is primary and which is not contained in the policy.

Criteria: The lease agreement contains conditions which the lessor requires to protect itself from liability.

Cause: The Organization was unaware of these requirements as it had forwarded the lease to its insurance agent to ensure the proper coverage and language was included.

Effect: Failure to comply with these terms may cause the agreement to be terminated

Recommendation: We recommend the Organization carefully review the conditions of its lease and take corrective action to obtain the proper coverage and include the required language.

Views of Responsible Officials and Planned Corrective Actions: We agreed with the finding. The Finance Team reviewed the insurance requirements per the lease agreement with the lessor. The policy was added on September 12, 2012 with a limit of \$5 Million.

Current Status: Corrected

**FULTON LEADERSHIP ACADEMY, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Year Ended June 30, 2013**

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**Finding 2013-006: Questioned Cost**

Condition: The workers comp insurance policy assesses a rate of 4.68% for non-professional or clerical staff but the school is paying insurance premiums at 5.25%.

Views of Responsible Officials and Planned Corrective Actions: The Finance Team investigated the workmen's compensation cost and determined that the additional costs were state and federal taxes added to the premiums.

Current Status: Corrected