



Mary Taylor, CPA
Auditor of State

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Statements of Net Assets As of June 30, 2007.....	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements.....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	21

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Imani Learning Academy
Lucas County
728 Parkside Blvd.
Toledo, Ohio 43607-3858

To the Governing Board:

We have audited the accompanying basic financial statements of the Imani Learning Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2007, 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 Imani Learning Academy, Lucas County, Ohio, as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 21, 2008

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the Imani Learning Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$279,719.
- Total Liabilities were \$174,420.
- Total Change in Net Assets was \$22,433.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 compared to fiscal year 2006:

Table 1 Net Assets		
	2007	2006
Assets		
Current Assets	\$ 279,719	\$ 224,043
Total Assets	279,719	224,043
Liabilities		
Current Liabilities	174,420	141,177
Total Liabilities	174,420	141,177
Net Assets		
Restricted for Grants	1,056	2,000
Unrestricted	104,243	80,866
Total Net Assets	\$ 105,299	\$ 82,866

The Academy's total assets increased \$55,676, which represents a 24.9 percent increase from 2006. The increase was due to an increase in cash resulting from the Academy incurring fewer expenses during the fiscal year. Cash and cash equivalents increased by \$58,719, and intergovernmental receivables decreased by \$2,843. Total liabilities increased \$33,243, which represents a 23.5 percent increase from fiscal year 2006. Total liabilities increased due to an increase in accounts payable to Toledo Public Schools resulting from sponsorship and management fees incurred during the fiscal year. The Academy's Net Assets increased by \$22,433, which represents an increase of 27.1 percent from 2006.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2007	2006
Revenues		
Operating Revenues:		
Foundation Payments	\$ 801,799	\$ 988,569
Poverty Based Assistance		9,386
Special Education	62,028	19,652
Food Services	5,112	4,343
Classroom Fees	4,634	4,251
Extracurricular Activities	521	
Other Operating Revenues		116
Non-Operating Revenues:		
Operating Grants - Federal	114,887	39,987
Operating Grants - State	6,805	2,000
Contributions and Donations		100
Interest	4,997	3,398
Total Revenues	1,000,783	1,071,802
Expenses		
Operating Expenses		
Salaries	562,311	478,090
Fringe Benefits	160,945	154,709
Purchased Services	175,692	277,589
Materials and Supplies	52,425	68,679
Capital Outlay	1,639	4,768
Other Expenses	25,338	1,972
Non-Operating Expenses:		
Interest and Fiscal Charges		3,129
Total Expenses	978,350	988,936
Increase in Net Assets	\$ 22,433	\$ 82,866

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

There was a decrease in revenues of \$71,019 from fiscal year 2006, which was primarily the result of a decrease in foundation payments. This decrease in foundation payments resulted from a decrease in enrollment from the prior year. The Academy experienced an increase in Special Education revenue in the amount of \$42,376, which was a result of higher enrollment of Special Education students. Expenses decreased \$10,586 from fiscal year 2006. This decrease was mainly the result of a reduction in sponsorship and management fees resulting from lower foundation payments. The Academy did experience increases in both salaries and fringe benefits totaling \$90,457 due to wage rate increases. Community Schools receive no support from tax levies.

Capital Assets

The Academy's asset capitalization minimum is \$5,000. The Academy had no assets above the capitalization threshold.

Current Financial Issues

The Academy was formed beginning July 1, 2005, and is sponsored by Toledo Public Schools. It has grades kindergarten through eighth. The Academy was turned into a community school by petitioning the Ohio Department of Education for a charter. Through the efforts of many individuals, the charter was issued. The Academy officially opened on September 1, 2005.

During the 2006-2007 school year, there were approximately 121 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2007 amounted to \$5,403 per student. The Academy's educational facilities are leased from Saint Hyacinth Parish. The Academy receives most of its finances from state aide.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Dennis Butler, Treasurer of Imani Learning Academy, 728 Parkside Boulevard, Toledo, Ohio 43607

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 257,662
Intergovernmental Receivables	14,256
Prepaid Items	7,801
Total Current Assets	<u>279,719</u>

Liabilities:

Current Liabilities:

Accounts Payable	10,925
Accounts Payable to Toledo Public Schools	62,512
Accrued Wages and Benefits	76,297
Due to Students	1,029
Intergovernmental Payable	23,657
Total Current Liabilities	<u>174,420</u>

Net Assets:

Restricted	1,056
Unrestricted	104,243
Total Net Assets	<u><u>\$ 105,299</u></u>

See Accompanying Notes to the Basic Financial Statements

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Operating Revenues:

Foundation Payments	\$ 801,799
Special Education	62,028
Classroom Fees	4,634
Food Service	5,112
Extracurricular Activities	521
Total Operating Revenues	<u>874,094</u>

Operating Expenses:

Salaries	562,311
Fringe Benefits	160,945
Purchased Services	175,692
Materials and Supplies	52,425
Capital Outlay	1,639
Other Operating Expenses	25,338
Total Operating Expenses	<u>978,350</u>
Operating Loss	<u>(104,256)</u>

Non-Operating Revenues:

Operating Grants - Federal	114,887
Operating Grants - State	6,805
Interest	4,997
Total Non-Operating Revenues and Expenses	<u>126,689</u>
Change in Net Assets	22,433
Net Assets Beginning of Year	82,866
Net Assets End of Year	<u>\$ 105,299</u>

See Accompanying Notes to the Basic Financial Statements

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 860,722
Cash Received from Classroom Fees	5,187
Cash Received from Food Services	5,112
Cash Received from Extracurricular Activities	521
Cash Payments to Suppliers for Goods and Services	(210,629)
Cash Payments to Employees for Services	(567,379)
Cash Payments for Employee Benefits	<u>(162,475)</u>

Net Cash Used for Operating Activities (68,941)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	115,858
Cash Received from Operating Grants - State	<u>6,805</u>

Net Cash Provided by Noncapital Financing Activities 122,663

Cash Flows from Investing Activities:

Cash Received from Interest on Investments	<u>4,997</u>
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Net Increase in Cash and Cash Equivalents 58,719

Cash and Cash Equivalents at Beginning of Year 198,943

Cash and Cash Equivalents at End of Year \$ 257,662

(Continued)

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Operating Loss \$ (104,256)

**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:**

Changes in Assets and Liabilities:

(Increase) Decrease in Assets

Decrease in Intergovernmental Receivable 1,872

Decrease in Prepaid 200

Increase (Decrease) in Liabilities:

Increase in Accounts Payable 8,056

Increase in Accounts Payable to Toledo Public Schools 62,512

Decrease in Accrued Wages Payable (12,734)

Increase in Due to Students 180

Decrease in Intergovernmental Payable (24,771)

Total Adjustments 35,315

Net Cash Used for Operating Activities \$ (68,941)

See Accompanying Notes to the Basic Financial Statements

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Imani Learning Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eighth. The Academy is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under a contract with the Toledo Public Schools (the Sponsor) for a period of five years commencing September 1, 2005. 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.

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 4 non-certified and 13 certificated full time teaching personnel who provide services to 121 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. 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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

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.

Revenues 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.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except under Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received by the Treasurer is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded 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 fiscal year in which services are consumed.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. 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 the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

The Academy also participates in programs through the Ohio Department of Education. These include the Ohio Reads and EMIS grants. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits was \$257,662 and the bank balance was \$281,335. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$100,000 was covered by the Federal Depository Insurance Corporation and \$181,335 was exposed to custodial credit risk.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS – (Continued)

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

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental receivables arising from Title II D grants of \$479, IDEA Grant of \$8,506, Title I of \$2,166, and foundation basic aid of \$3,105.

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

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. For the fiscal year ended 2007, the Academy obtained insurance thru broker Martineau, Miller, Frazier Insurance Agency with the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	4,000,000
Educators Professional Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Building at Replacement Cost	2,070,000
Business Personal Property (\$1,000 deductible)	104,000
Excess Liability:	
Limits of Liability	5,000,000

There have been no claims filed. For fiscal years ended 2007 and 2006, settlements have not exceeded insurance coverage.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 5 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation

The Academy pays directly into the State Worker's Compensation System based on the Academy's payroll. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007 and 2006, were \$10,101 and \$6,271 respectively; 98.5 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006.

B. State Teachers Retirement Systems

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 (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.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 contributions and earned interest matched by STRS Ohio funds times 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 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.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS – (Continued)

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 2006, 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, 2007 and 2006, were \$59,779 and \$44,625 respectively; 85.0 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2007 were \$69,774 made by the Academy and \$46,152 made by the plan members.

NOTE 7 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$4,626 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$5,575.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

NOTE 8 - OTHER EMPLOYEE BENEFITS

Policies and procedures are approved by Imani's Board of Education and are applied mainly to insurance benefits.

NOTE 9 – SPONSORSHIP AGREEMENT

The Academy entered into a contract, effective July 1, 2005, through June 30, 2006, renewable each year up to five years, with Toledo Public Schools (TPS) for educational and financial management services. The Academy renewed the prior contract for fiscal year 2007. Sponsorship fees, equal to 3 percent of foundation revenues were \$26,991, and management fees, equal to 4 percent of foundation revenues were \$35,521. A payable to TPS in the amount of \$62,512 was recognized as no payments were made during the fiscal year.

In addition, the Academy pays TPS an annual fee in the subsequent year totaling the lesser of: (a) 100 percent of the amount in excess of \$500,000 of the unencumbered general operating fund balance, or (b) the amount of that balance that is in excess of the minimum financial amount required to be eligible to sponsor a community school in the State of Ohio (currently \$500,000). For the fiscal year ended June 30, 2007, the Academy's unencumbered general operating fund balance was less than \$500,000.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2006, through June 30, 2007, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 48,521
Property Services	104,672
Travel Mileage/Meeting Expense	2,363
Communications	7,479
Utilities	12,448
Transportation Services	209
Total Purchased Services	<u>\$ 175,692</u>

NOTE 11 - OPERATING LEASE – LESSEE DISCLOSURE

The Academy entered into a lease for the period July 1, 2005, to June 30, 2010 with Toledo St. Hyacinth Parish. The Academy paid the minimum rent during the fiscal year in the amount of \$90,000. In addition to the minimum rent, an additional rent is required for utilities, insurance, maintenance personnel reimbursement, copier lease charges, trash service charges, late charges and penalties. Additional rent totaled \$10,427.

The lease requires monthly minimum rent payments during the initial lease year in the amount of \$60,000, or \$600 per student, whichever is greater, up to a maximum of \$120,000. Thereafter, the Academy is required to pay minimum rent during each subsequent lease year in an amount to be negotiated by the Academy and Toledo St. Hyacinth Parish. The Academy has the option to terminate this lease.

NOTE 12 - CONTINGENCIES

A. Grants

The Academy receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2007.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 12 – CONTINGENCIES – (Continued)

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2007, the review resulted in an increase in funding of \$3,105. This amount is reflected as an Intergovernmental Receivable.

C. Litigation

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on Imani Learning Academy cannot presently be determined.

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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*

Imani Learning Academy
Lucas County
728 Parkside Blvd.
Toledo, Ohio 43607-3858

To the Governing Board:

We have audited the basic financial statements the Imani Learning Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated March 21, 2008. 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the Academy's management in a separate letter dated March 21, 2008.

Compliance and Other Matters

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

We did note certain noncompliance that we reported to the Academy's management in a separate letter dated March 21, 2008.

We intend this report solely for the information and use of management, the Governing Board, and the Academy's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 21, 2008



Mary Taylor, CPA
Auditor of State

IMANI LEARNING ACADEMY

LUCAS 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 8, 2008**