



Dave Yost • Auditor of State

IMANI LEARNING ACADEMY
LUCAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2010 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Imani Learning Academy, Lucas County, Ohio as of June 30, 2010, 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 14, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 14, 2011

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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, 2010. 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 \$900,030.
- Total Liabilities were \$131,477.
- Total Change in Net Assets was \$298,928.

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 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 fiscal 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, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 compared to 2009:

Table 1
Net Assets

	2010	Restated 2009
Assets		
Current Assets	\$ 900,030	\$ 568,930
Total Assets	900,030	568,930
Liabilities		
Current Liabilities	131,477	99,305
Total Liabilities	131,477	99,305
Net Assets		
Restricted for Grants	125,808	
Unrestricted	642,745	469,625
Total Net Assets	\$ 768,553	\$ 469,625

The Academy's total assets increased \$331,100, which represents 58.2 percent increase from 2009. The increase was due to an increase in grants. Cash and cash equivalents increased by \$219,018, and intergovernmental receivables increased by \$102,194. Total liabilities increased by \$32,172, which represents 32.4 percent increase from 2009. The Academy's Net Assets increased by \$298,928, which represents an increase of 63.7 percent from 2009.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenue and expenses.

	Table 2 Change in Net Assets	
	2010	Restated 2009
Revenues		
Operating Revenues:		
Foundation Payments	\$1,065,128	\$1,027,441
Special Education	19,676	2,520
Food Services	2,375	3,894
Classroom Fees	9,078	9,926
Other Operating Revenues		659
Non-Operating Revenues:		
Federal Grants	400,272	49,260
State Grants	5,000	4,533
Contributions and Donations		494
Interest	3,051	5,933
Total Revenues	\$ 1,504,580	1,104,660
Expenses		
Operating Expenses		
Salaries	698,846	592,592
Fringe Benefits	235,941	174,822
Purchased Services	138,485	217,408
Materials and Supplies	81,441	75,406
Capital Outlay		38,521
Other Expenses	50,939	38,274
Total Expenses	1,205,652	1,137,023
Increase/(Decrease) in Net Asset	\$ 298,928	\$ (32,363)

There was an increase in revenues of \$399,920 from fiscal year 2009, which was primarily the result of increase in grant revenue. Expenses increased \$68,629 from fiscal year 2009. The Academy experienced increases in both salaries and fringe benefits totaling \$167,373, which were offset by a decrease in purchased services of \$78,923. 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.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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 2009-2010 school year, there were 158 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2010 amounted to \$5,718 per student. The Academy's buildings are leased from Saint Hyacinth Parish. The Academy receives its finances from state aid.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens 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. Richard Cox, Treasurer of Imani Learning Academy, 2275 Collingwood Boulevard, Toledo, Ohio 43620.

IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
<u>Current assets:</u>	
Cash and cash equivalents	\$ 626,943
Intergovernmental Receivables	237,792
Prepayments	<u>35,295</u>
Total assets	<u>900,030</u>
Liabilities:	
<u>Current liabilities:</u>	
Accounts payable	1,278
Accrued wages and benefits	102,190
Pension obligation payable	1,282
Intergovernmental payable	<u>26,727</u>
Total current liabilities	<u>131,477</u>
Net Assets:	
Restricted for:	125,808
Unrestricted	<u>642,745</u>
Total net assets	<u>\$ 768,553</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
Foundation payments	\$ 1,065,128
Special education	19,676
Classroom fees	9,078
Food services	2,375
Total operating revenue	<u>1,096,257</u>
Operating expenses:	
Salaries	698,846
Fringe benefits	235,941
Purchased services	138,485
Materials and supplies	81,441
Other operating expenses	50,939
Total operating expenses	<u>1,205,652</u>
Operating loss	<u>(109,395)</u>
Non-operating revenues (expenses):	
Operating grants - federal	400,272
Operating grants - state	5,000
Interest	3,051
Total non-operating revenues	<u>408,323</u>
Change in net assets	298,928
Net assets at beginning of year, restated	<u>469,625</u>
Net assets at end of year	<u><u>\$ 768,553</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from state of ohio	\$ 1,089,050
Cash received from classroom materials and fees	9,078
Cash received from food services	2,784
Cash payments to suppliers for goods and services	(278,604)
Cash payments to employees for services	(684,312)
Cash payments for employee benefits	(225,107)
	<hr/>
Net cash used in operating activities	(87,111)
Cash flows from noncapital financing activities:	
Cash received from operating grants - federal	298,078
Cash received from operating grants - state	5,000
	<hr/>
Net cash provided by noncapital financing activities	303,078
Cash flows from investing activities:	
Cash received from interest on investments	3,051
	<hr/>
Net increase in cash and cash equivalents	219,018
Cash and cash equivalents at beginning of period	407,925
Cash and cash equivalents at end of period	\$ 626,943
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Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (109,395)
Adjustments to reconcile operating loss to net cash used for operating activities	
Changes in assets and liabilities:	
(Increase) in prepaid items	(9,888)
(Decrease) in accounts payable	(2,887)
Increase in accrued wages payable	19,570
(Decrease) in due to students	(873)
Increase in intergovernmental payables	15,080
Increase in pension obligation payables	1,282
	<hr/>
Net cash used in operating activities	\$ (87,111)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE ACADEMY 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 K through eight. 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 an exempt organization under Section 501c(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 7 non-certified and 15 certificated full time teaching personnel who provide services to 158 students.

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 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 goods or services that are 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 various 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.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

3. CHANGE IN ACCOUNTING PRINCIPLES – (Continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The implementation of this statement did not result in any change in the Academy's financial statements.

GASB Statement No. 58 provides financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Academy's financial statement.

4. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2010, the carrying amount of the Academy's deposits was \$626,943 and the bank balance was \$673,070. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, \$262,081 was covered by the Federal Depository Insurance Corporation and \$410,989 was exposed to custodial credit risk.

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 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 has no deposit policy for custodial risk.

5. RECEIVABLES

Receivables at June 30, 2010, consisted of the following intergovernmental receivables arising from grants:

Special Education IDEA B	\$20,597
Title II-D FY10	1,335
Title I-SI Sub-A FY10	60,000
Title I – A FY10	149,108
Title IV-A FY10	1,339
Title IIA	<u>5,413</u>
Total	<u>\$237,792</u>

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

6. 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 2010, the Academy obtained insurance thru broker Savage Property & Casualty, Inc. with the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	2,000,000
Employee Benefits Liability	1,000,000
Building and Contents at Replacement Cost	3,085,000
Business Personal Property	150,000
Excess Liability Umbrella	5,000,000
Employee Dishonesty	100,000

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in coverage from the prior fiscal year.

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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohser.org under *Employers/Audit Resources*.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

7. DEFINED BENEFIT PENSION PLANS – (Continued)

For the fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending 2010, it was determined the employer contribution rate to the pension and death benefits to be 12.78%. The remaining 1.22% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The Academy's required contribution for pension obligations to SERS for the fiscal year June 30, 2010, 2009 and 2008 was \$26,471, \$11,783 and \$10,813; 98.5% has been contributed for fiscal year 2010 and 100% has been contributed for the fiscal years 2009 and 2008.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

7. DEFINED BENEFIT PENSION PLANS – (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or a lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65 once employment is terminated.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

7. DEFINED BENEFIT PENSION PLANS – (Continued)

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the fiscal years 2010, 2009, and 2008 was \$61,994, \$60,192 and \$51,667; 77.4% has been contributed for fiscal year June 30, 2010 and 100% has been contributed for fiscal years 2009 and 2008.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the less of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

8. POSTEMPLOYMENT BENEFITS – (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was 0.76%. The Academy's required contributions for the years ended June 30, 2010, 2009, and 2008 were \$1,596, \$970, and \$882, respectively; 98.5% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's required contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$3,469, \$5,689 and \$4,890, respectively; 99.6% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

8. POSTEMPLOYMENT BENEFITS – (Continued)

B. State Teachers Retirement System

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to the 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate establish under Ohio Law. The Academy's required contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,769, \$4,529, and \$4,013, respectively; 77.4% has been contributed for the fiscal year 2010 and 100% has been contributed for the fiscal years 2009 and 2008.

9. OTHER EMPLOYEE BENEFITS

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

10. SPONSORSHIP AGREEMENT

In May 2010 the Academy entered into a contract, effective July 1, 2010, through June 30, 2015, renewable each year up to five years, with the University of Toledo Board of Trustees and their designee, the Ohio Council of Community Schools for educational and financial management services. Prior to May 2010 the Toledo Public Schools was the sponsor and sponsorship fees, equal to 3 percent of foundation revenues, were \$113,212 which were for the last four fiscal years. This year no amount was recognized as no payments or billings have been made and little to no management was made by Toledo Public Schools. A prior year adjustment was made in the amount of \$113,212 to eliminate the prior fiscal years sponsorship fees (See Note 14).

11. PURCHASED SERVICES

For the period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

11. PURCHASED SERVICES – (Continued)

Professional and Technical Services	\$ 6,506
Property Services	112,358
Travel Mileage/Meeting Expense	4,053
Communications	10,420
Utilities	3,756
Transportation Services	1,392
Total Purchased Services	<u>\$ 138,485</u>

12. 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 of in the amount of \$99,600 which included prepaid rent for July and August 2010. In addition to the minimum rent, an additional rent is required for real estate taxes, utilities, insurance, maintenance personnel reimbursement, copier lease charges, trash service charges, late charges and penalties. Additional rent totaled \$3,491.

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.

13. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous 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, 2010.

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 2010, the result of this review resulted in an overpayment of Foundation Revenue of \$4,246, and is reported as a liability on the financial statements at June 30, 2010.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

14. PRIOR PERIOD ADJUSTMENTS - ACCOUNTING CHANGES

For the past four fiscal years, a sponsorship fee payable has been recognized to Toledo Public Schools which was based on 3% of the State Foundation Payments received by the Academy. In that Toledo Public Schools has provided little to no management and no billings or payments have been made, a prior year adjustment is made to the June 30, 2009 net assets.

The Ohio Department of Education informed management it had not followed requirements or certain criteria for the 2009 grants in the amount of \$119,127 which also required a prior period adjustment. The following are prior period adjustments made to the June 30, 2009 net assets:

Net Assets, June 30, 2009	\$475,540
Eliminate Sponsorship Fees to Toledo Public Schools	113,212
2009 Grant Revenue forfeited for not following grant criteria	<u>(119,127)</u>
Restated Net Assets, June 30, 2009	<u>\$469,625</u>

15. SUBSEQUENT EVENTS

In July 2010 the Academy renewed its school facility operating lease with Toledo St. Hyacinth Parish for the term of 36 months starting July 1, 2010 until June 30, 2013. The minimum rent will be \$8,500 per month with additional rent for real estate taxes, utilities, insurance, trash service charges, late charges or penalties. The Academy has the option to either terminate or seek modification of the lease if there is a significant (25%) decrease in public funding or a 25% increase or decrease change in student enrollment from the 2010 level.

In July, 2010 the Academy contracted with Lucas County Educational Service Center for fiscal services. The agreement continues until July 1, 2011 and will automatically renew for one year terms. The fee for the service is 2% of all state, federal or private revenue received by the Academy's general fund.

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Dave Yost • 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

To the Governing Board:

We have audited the basic financial statements of Imani Learning Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-001.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 14, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 14, 2011

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 3314.03(D) states that the contract [between the governing authority of a community school and a sponsor] shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include, among other requirements, the following:

- Monitor the community school's compliance with all laws applicable to the school and with the terms of the contract; and
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on at least an annual basis.

During fiscal year 2010, Toledo Public Schools, in its capacity as a sponsor to Imani Learning Academy, failed to monitor Imani Learning Academy in accordance with the aforementioned requirements.

The failure to monitor and evaluate compliance on a timely basis could result in the Imani Learning Academy being noncompliant with applicable laws, having poor academic and/or fiscal performance, which could ultimately result in the closure of the Imani Learning Academy.

As a sponsor, Toledo Public Schools should institute a system to evaluate legal, educational, and fiscal performance of the Imani Learning Academy.

Officials' Response:

Toledo Public Schools, in its capacity as sponsor to Imani Learning Academy, has consistently failed to execute its duties under the sponsorship agreement. Imani Learning Academy has terminated its sponsorship agreement with Toledo Public Schools effective June 30, 2010.

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Revised Code § 3314.03(D) – Failure of Toledo Public Schools, in its capacity as a sponsor to monitor Imani Learning Academy	No	Repeated as Finding Number 2010-001 in this report.



Dave Yost • 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
MARCH 31, 2011**