



Dave Yost • Auditor of State

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Statement of Net Position – Cash Basis..... | 9 |
| Statement of Revenues, Expenses, and Changes in Net Position – Cash Basis | 10 |
| Notes to the Basic Financial Statements | 11 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 23 |
| Schedule of Findings..... | 25 |
| Independent Accountants' Report on Applying Agreed-Upon Procedure | 31 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Academy for Educational Excellence
Lucas County
4747 Heatherdowns Boulevard
Toledo, Ohio 43614

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Academy for Educational Excellence, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Academy for Educational Excellence, Lucas County, Ohio, as of June 30, 2013, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis-of-Matter

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As discussed in Note 15 to the financial statements, the Academy has encountered a loss from operations and has difficulties paying its vendors and owes money to others whom have paid bills on behalf of the Academy. At June 30, 2013, payables totaled \$385,921 for the Academy and \$440,909 at May 31, 2014. Note 15 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Supplemental and Other Information

We audited to opine on the Academy's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position and changes in net position. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards in considering the Academy's internal control over financial reporting and compliance.

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

Columbus, Ohio

August 27, 2014

This page intentionally left blank.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

This discussion and analysis of the Academy for Educational Excellence's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

Key highlights for fiscal year 2013 are as follows:

- In total net position was \$4,086 at June 30, 2013.
- The Academy had operating revenues of \$403,529, operating expenses of \$571,921 and non-operating revenues were \$172,478 for fiscal year 2013. This was the first year of operation for the Academy.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy.

Reporting the Academy Financial Activities

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Table 1 provides a summary of the Academy's net position for fiscal year 2013 on a cash basis:

| Net Position | |
|---------------------------|----------------|
| | <u>FY13</u> |
| Assets | |
| Cash and Cash Equivalents | <u>\$4,086</u> |
| Net Position | |
| Unrestricted | <u>\$4,086</u> |

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2013, the Academy's net position totaled \$4,086.

Table 2 reflects the changes in net position on a cash basis in fiscal year 2013.

| | <u>FY13</u> |
|--------------------------------|------------------|
| Operating Receipts: | |
| State Foundation | \$375,738 |
| Other | <u>27,791</u> |
| Total Operating Receipts | <u>403,529</u> |
| Operating Expenses: | |
| Personal Services | 259,174 |
| Fringe Benefits | 32,823 |
| Purchased Services | 139,939 |
| Supplies and Materials | 53,525 |
| Capital Outlay | 86,258 |
| Other | <u>202</u> |
| Total Operating Expenses | <u>571,921</u> |
| Operating Loss | <u>(168,392)</u> |
| Non-Operating Revenues: | |
| Grants | 137,340 |
| Proceeds from Notes Payable | <u>35,138</u> |
| Total Non-Operating Revenues | <u>172,478</u> |
| Increase in Net Position | 4,086 |
| Net Position Beginning of Year | <u>0</u> |
| Net Position End of Year | <u>\$4,086</u> |

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation payments were 65.23% of total operating and non-operating revenues during fiscal year 2013. Personal Services comprise 45.32% of operating expenses.

Debt Administration

At June 30, 2013, the Academy's long term obligations include a Capital Lease for copy machines for \$8,138, Notes Payable for \$35,138, and forfeited salaries intended to be paid to the Superintendent for \$42,614.

For further information regarding the District's debt, see the Note 10 to the basic financial statements.

Current Issues

The Academy For Educational Excellence (AEE) is a K-3 school whose vision is to develop the whole child socially and emotionally, as well as to provide a high quality education that will give students the foundation needed to achieve their full academic potential.

The Academy For Educational Excellence is in its first year of operations serving students in Kindergarten through 3rd grade, with plans to add 4th grade in Year 2 and 5th grade in Year 3. In fiscal year 2012-13 there was an unexpected two week closing in September 2012, due to unforeseen building code issues. As a result of this closing, enrollment decreased from a total of 86 children to a total of 49 students which contributed to the financial challenges faced during the first year of operations for the school. However, by June of 2013 the enrollment had increased to 55 students and the Academy For Educational Excellence obtained the PSCP Grant from Ohio Department of Education which helped to provide some needed resources for the new school.

The primary challenge facing AEE today is the uncertainty of future funding. Title One and Special Ed Funds for 2012-2013 were forwarded to the 2013-14 school year. These funds have allowed AEE to provide additional resources for Special Education Services. AEE is also in the process of applying for the 21st Century Grant and the Straight A Fund Grant. In addition, a major marketing campaign is in place to increase enrollment for the 2014-2015 school year.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy For Educational Excellence's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cynthia Mercer, MAC Financial Service, Inc. 327 Foundry Hill Rd., Salineville, Ohio 43945 or by phone at (330) 284-8490.

This page intentionally left blank.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

Assets:

Equity in Pooled Cash and
Cash Equivalents

\$ 4,086

Net Position:

Unrestricted

4,086

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | |
|---------------------------------------|------------------|
| Operating Receipts | |
| State Foundation | \$ 375,738 |
| Other | 27,791 |
| Total Operating Receipts | <u>403,529</u> |
| Operating Expenses | |
| Personal Services | 259,174 |
| Fringe Benefits | 32,823 |
| Purchased Services | 139,939 |
| Supplies and Materials | 53,525 |
| Capital Outlay | 86,258 |
| Other | 202 |
| Total Operating Expenses | <u>571,921</u> |
| <i>Operating Loss</i> | <u>(168,392)</u> |
| Non-Operating Receipts | |
| Grants | 137,340 |
| Proceeds from Notes Payable | 35,138 |
| Total Non-Operating Receipts | <u>172,478</u> |
| Change in Net Position | 4,086 |
| Net Position Beginning of Year | <u>-</u> |
| Net Position End of Year | <u>\$ 4,086</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013**

NOTE 1 – DESCRIPTION OF THE ACADEMY

The Academy For Educational Excellence (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to serve students in grades Kindergarten through 3 and ages 5 through 9. The Academy focuses on literacy and technology. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations.

The Academy was approved for sponsorship under contract resolution on March 15, 2012 with North Central Ohio Educational Service Center (the “Sponsor”) for a period of five years commencing on July 1, 2012. 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 Board of Directors controls the Academy’s one instructional/support facility staffed by 6 non-certified and 6 certified teaching personnel who provide services to 54 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, and a statement of revenues, expenses and changes in net position. Enterprise reporting focuses on the determination of the change in net position, and financial position.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

C. Basis of Accounting

The Academy’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education

E. Cash and Investments

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2013, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Public Charter Schools Program, and the School Lunch and Breakfast Program. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

I. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Academy's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

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

J. Operating Revenues and Expenditures

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and other revenues. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*", GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 4 – DEPOSITS

At June 30, 2013, the carrying amount of all Academy deposits was \$4,086. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, all of the Academy's bank balance of \$5,662, was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

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. During fiscal year 2013, the Academy contracted with Citizens Insurance Company for general liability and property insurance and professional liability, and auto.

Coverage is as follows:

| | |
|---|-------------|
| Commercial General Liability per occurrence | \$1,000,000 |
| Commercial General Liability aggregate | 2,000,000 |
| Fire Damage Limit, Any One Fire | 500,000 |
| Personal and Advertising Injury Limit | 1,000,000 |
| Property Damage | 100,000 |
| School and Educators Liability | 3,000,000 |
| Business Automobile | 1,000,000 |

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. 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

Plan Description – The Academy participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members, and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2013 was \$6,357. For fiscal year 2013, 100 percent has been contributed.

B. State Teachers Retirement System

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

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's required contributions to STRS Ohio for the DB Plan were \$26,819 for the fiscal year ended June 30, 2013. For fiscal year 2013, 100 percent has been contributed for the DB plan and 100 percent has been contributed for the Combined Plan.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. The contribution rate is 6.2 percent of wages paid.

NOTE 7 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$35,800. During fiscal year 2013, the Academy paid \$851 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal year ended June 30, 2013 were \$78. For fiscal year 2013, 100 percent has been contributed.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2013, were \$359. For fiscal year 2013, 100 percent has been contributed.

B. State Teachers Retirement System of Ohio

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal year ended June 30, 2013 were \$2,063.

NOTE 8 – OPERATING LEASE

Midwest Creative Investment has leased property and a portion of a building to the Center for Educational Excellence. The Center of Educational Excellence has subleased the property and portion of the building to the North Central Ohio Educational Service Center, the Sponsor for the conversion school - The Academy of Educational Excellence. The North Central Ohio Educational Service Center has subleased the property and the portion of the building to the Academy of Educational Excellence for the operation of the Academy's facility, for a term beginning September 1, 2012 through August 31, 2017. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. The Lessees obligation is \$7,314 per month, 90% of all utilities, \$1,000 annually for repair expenses, and all of the outside maintenance expenses.

On October 18, 2012 the Center for Educational Excellence Inc. and Midwest Creative Investments have amended the lease terms beginning November 1, 2012, for 6 months until April 2013, to reduce the monthly lease payment to \$2,500 per month and increase the lessee's obligation to 100% for utilities and insurance and 50% of property taxes

The Facility lease obligation for fiscal year 2013 was \$44,256. Payments for the year paid by the Academy totaled \$17,127.

NOTE 9 - CAPITAL LEASE – LESSEE DISCLOSURE

In fiscal year 2013, the Academy entered into a capital lease for copier equipment. Principal payments made totaled \$281 for fiscal year 2013. The 2013 obligation was \$1,263.

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2013:

| <u>Fiscal Year Ending June 30,</u> | <u>Payments</u> |
|--|-----------------|
| 2014 | \$ 1,683 |
| 2015 | 1,683 |
| 2016 | 1,683 |
| 2017 | 1,683 |
| 2018 | <u>424</u> |
| Total future minimum lease payments | <u>\$ 7,156</u> |

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 10 – LONG-TERM OBLIGATIONS

The Academy’s long-term obligations during the year consist of the following:

| | Balance 7/01/12 | Additions | Reductions | Balance 6/30/13 |
|--|--------------------|-----------|------------|--------------------|
| Capital lease obligation | | \$ 8,419 | \$ 281 | \$ 8,138 |
| <i>Notes Payable:</i> | | | | |
| Ann Harris Superintendent/founder | | 22,764 | 0 | 22,764 |
| Center for Educational Excellence Inc. | | 5,949 | 0 | 5,949 |
| Learners for Life Child Development Inc. | | 6,410 | 0 | 6,410 |
| Allison Cox Co-founder | | 15 | 0 | 15 |
| Total Notes Payable | | 35,138 | 0 | 35,138 |
| Total Long-Term Obligations | \$ 0 | \$ 43,557 | \$ 281 | \$ 43,276 |

The Superintendent/founder has also reduced her pay by fifty percent effective January 3, 2013 resulting in a salary of \$42,614 less than her approved annual salary of \$75,000 for fiscal year 2013. In December 2012, The Board has approved, the repayment of this amount when the school is in an appropriate financial position.

NOTE 11 - CONTRACTS

A. Sponsor Contract

The School entered into a sponsorship contract commencing on July 1, 2012 and ending on June 30, 2017 with North Central Ohio Educational Service Center.

The Sponsor shall carry out the responsibilities established by law, including:

- Provide technical assistance and monitor the School’s compliance with all laws applicable to the School and with the terms of this contract
- Monitor and evaluate the academic and fiscal performance and the organization of the School on at least an annual basis;
- Report on at least an annual basis the results of the evaluation conducted to the Ohio Department of Educations and to the parents/guardians of students enrolled in the School
- Take steps to intervene in the School’s operation to correct problems in the School’s overall performance, declare the School to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew the contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Develop a plan of action to be undertaken if the School experiences financial difficulties or closes prior to the end of the year;
- Evaluate the performance of the School according to standards set forth in the Assessment and Accountability Plan;
- Support the School’s establishment and operation as determined to be appropriate by the Sponsor at the Sponsor’s sole discretion;
- Notify the School within five business days of complaints or correspondence from the Ohio Department of Education concerning the School;
- Comply with the procedures for resolving disputes or differences of opinion between it and the School as set forth in the Governance and Administrative Plan.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 11 – CONTRACTS (Continued)

B. Service Contract

The School entered into a service contract for a period of twelve months, commencing on July 1, 2012 and ending on June 30, 2013, with Charter School Specialists, LLC (CSS), to provide fiscal and Comprehensive Continuous Improvement Planning consulting services. Charter School Specialists discontinued services at the beginning of April 2013 due to lack of payment. The School's obligation to CSS was \$16,250 through March 2013, and the School has paid CSS \$6,250 during fiscal year 2013 for these services.

NOTE 12 - PURCHASED SERVICES

For fiscal year 2013, purchased services expenses were payments for services rendered by various vendors, as follows:

| | |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 44,622 |
| Property services | 48,185 |
| Advertising | 11,671 |
| Technology | 17,353 |
| Utilities | 14,421 |
| Transportation | 1,700 |
| Travel and Meeting Expense | 1,664 |
| Other | <u>323</u> |
| Total | <u>\$ 139,939</u> |

NOTE 13 – RELATED PARTIES

The Center for Educational Excellence Inc.(CEE) in which Ann Harris, the Superintendent/founder of the Academy is an Official. The CEE has been awarded a Port Authority grant and has paid \$27,887 of the Academy's Development expenses as well as other expenses, in which \$5,949 is Payable to the CEE by the Academy.

Learners for Life Child Development Center Inc. in which Ann Harris, the Superintendent/founder of the Academy is an Official, has paid expenses on behalf of the Academy, in which \$6,410 is Payable to Learners for Life Child Development Center by the Academy.

Allison Cox, a Co-founder of the Academy has paid for expenses on behalf of the Academy, in which \$15 is Payable to Allison Cox by the Academy.

William Harris is the President of the Board and is the husband of the Superintendent/founder. Mr. Harris was reimbursed \$61 during fiscal year 2013 from the Academy for a Bureau of Criminal Investigations records check.

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 14 – CONTINGENCIES

A. Grants

Amounts grantor agencies pay to the Academy are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation 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. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2014.

NOTE 15 – CONTINUED EXISTENCE

The Academy has encountered difficulties in paying its obligations to vendors in a timely manner. This has resulted in the Academy having an Operating loss of \$168,392.

Ann Harris the Superintendent/founder has forfeited salary amounts, and several businesses in which Ann Harris is an Official with have paid for a significant amount of the Academy's operating expenses throughout fiscal year 2013. At June 30, 2013, the Academy had approximately \$308,169 of liabilities due to vendors, \$35,138 of Notes Payable, and \$42,614 due to the Superintendent/founder for repayment of forfeited salary. Total liabilities at June 30, 2013, were approximately \$385,921.

Foundation Revenues, a significant portion of the Academy's resources, are driven by student enrollment. Enrollment began at approximately 86 students at the beginning of the fiscal year 2013. Due to an unforeseen closure of the Academy's facility caused by building inspections, in September of 2012, enrollment dropped to approximately 55 students.

The Academy's Liabilities at May 31, 2014, were approximately \$440,909, consisting of Accounts Payable to vendors for \$335,179 Notes Payable for \$36,449, and forfeited salary of the Superintendent of \$69,281.

Enrollment in fiscal year 2014 has been approximately 74 students.

The Academy has comprised a Financial Recovery Plan as follows:

- The Board President and Superintendent met with all creditors and letters were sent requesting that they allow the Academy the opportunity to look into other funding sources in addition to giving the school time to grow its enrollment;
- Payroll for the Superintendent was eliminated in fiscal year 2014;
- Bus drivers and aides wages were reduced by one dollar per hour in fiscal year 2014;
- Two employees were paid through the Title 1 Program in fiscal year 2014;

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 20, 2013
(Continued)

NOTE 15 – CONTINUED EXISTENCE (Continued)

- Loans were obtained from the Superintendent to cover some operating costs and payroll in fiscal year 2014;
- In February 2014, the Academy brought in a company by the name of Academic Learning Club who is known for providing Professional Development for schools and specialize in the area of recruitment and retention;
- A Facebook page for the school has been developed;
- Events have been planned for parents and students to attend, such as, an open house with an evening of dance, animals and food. (All of which will be advertised on facebook);
- Parents have been contacted by teachers about their students and the school every other week;
- Parents have been encouraged to help with the recruitment;
- Dates are being set for the entire staff to go into the neighborhood to recruit and bring awareness to the school;
- The Academy will add fifth grade for fiscal year 2015;

The Academy for Educational Excellence will set a goal for an enrollment of 150 students. This will allow the Academy the opportunity to make payment arrangements to the creditors, eventually eliminating the debt.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Academy For Educational Excellence
Lucas County
4747 Heatherdowns Boulevard
Toledo, Ohio 43614

To the Governing Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Academy For Educational Excellence, Lucas County, Ohio, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 27, 2014, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles and wherein our report expressed substantial doubt about the Academy's ability to continue as a going concern.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 through 2013-006 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 27, 2014

**ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013**

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

FINDING NUMBER 2013-001

Finding For Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Ann Harris, the Superintendent/Founder of the Academy of Educational Excellence, received reimbursement and made the following expenditure without having proper documentation. Without proper documentation, we are unable to determine if certain reimbursements and expenditures were for a proper public purpose:

On June 20, 2013, Ann Harris was reimbursed \$2,503 for expenditures made by her for food. Ms. Harris was unable to produce any invoices or receipts to substantiate food purchases in the amount of \$2,503.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ann Harris, in the amount of \$2,503 and in favor of The Academy of Educational Excellence.

FINDING NUMBER 2013-002

Finding For Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

On October 19, 2012, the Academy paid \$130 to Republic Services for the Learners for Life Child Development Center's refuse services for October, 2012.

The invoice was addressed to Learners for Life Child Development Center and the account number on the invoice was the Republic Service's account number for Learners for Life Child Development Center.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ann Harris, Superintendent/founder and Arlene Wilson, Treasurer in the amount of \$130 and in favor of The Academy for Educational Excellence.

Ann Harris, Superintendent/Founder repaid the \$130 to the Academy on April 30, 2014.

FINDING NUMBER 2013-003

Noncompliance

Filing of Annual Financial Report

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03 (B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2013, the Academy prepared financial statements that were formatted similarly to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. However, this presentation differs from accounting principles generally accepted in the United States of America (GAAP) as required by law. There would be variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

FINDING NUMBER 2013-004

Material Weakness

Financial Statement Preparation

The Academy has not included certain required disclosures in the Notes to the Financial Statements as follows:

- Accountability and Compliance identifying the changes in accounting principles that could be applicable to the Academy and their effect on the financial statements;
- Operating Lease identifying the Academy's lease obligation for the school facility;
- Capital Lease identifying the Academy's lease obligation for its copy machines;
- Long-term Obligations such as Capital Lease payable and Notes Payable;
- Contracts entered such as the Academy's Sponsorship and Fiscal Services, and;
- Disclosure of Related Party activities and the applicable amounts of transactions.

The debt obligations were not discussed in the Academy's Management's Discussion and Analysis contrary to the prescribed content of the Management's Discussion and Analysis.

These conditions provide for incomplete, inaccurate, and untimely financial reporting of the Academy's financial activity.

FINDING NUMBER 2013-004 (Continued)

To improve the financial statement preparation process, we recommend:

- The Academy should determine the required disclosures and appropriately include the disclosures in the Notes to the Financial Statements and;
- The Academy should include debt and other obligations in its Management's Discussion and Analysis according to the prescribed format.

FINDING NUMBER 2013-005

Material Weakness

Outstanding Liabilities

The Academy for Educational Excellence did not make payments to vendors in a timely manner. In addition, certain payments lacked appropriate supporting documentation. The Academy's Management did not have an accurate listing of its outstanding liabilities.

The following issues were identified concerning the Academy for Educational Excellence and the reporting of Notes Payable.

- The Academy's Management did not post the proceeds and the related expenditures in the amount of \$28,090 for all of the Academy expenses paid by Ann Harris, the Superintendent/Founder, Center for Educational Excellence, Inc., Learners for Life Child Development Center Inc. and a Co-founder, and did not disclose the amounts payable in the Notes to the Financial Statements;
- The Academy's Management did not have an accurate listing of Notes Payable;
- The Notes Payable amounts provided by the Academy's management were not fully supported with invoices or other documentation to clearly establish that the expense was made specifically for the Academy for Educational Excellence;
 - a) Some of the expenses included as part of the Academy's Notes Payable amounts had been paid by the Academy, posted in its ledgers, and financial report. The amounts originally overstated were \$155 payable to Ann Harris, and \$5,533 payable to Center for Educational Excellence;
 - b) Invoices billed to Center for Educational Excellence were included as Note Payable amounts, some of which were expenses incurred by the Academy, while others lacked appropriate supporting documentation to make a determination;
 - c) Checks written by Center for Educational Excellence for \$368 to vendors were provided as support for Notes Payable to Center for Educational Excellence. However there were no invoices or receipts supporting the checks;
 - d) A Center for Educational Excellence invoice for permit, grant writing, and consulting for \$8,295 was provided as support for Notes Payable. However, the invoice had no detail of the services actually provided;
 - e) Academy for Educational Excellence invoices were included for \$7,542 and \$4,700 as support for Notes Payable to the Center for Educational Excellence, However, there were no supporting receipts as support for possible repayment to the Center for Educational Excellence;

FINDING NUMBER 2013-005 (Continued)

- f) Checks written by a Co-founder, to Center for Educational Excellence, for \$21,000 was provided as support for Notes Payable to Center for Educational Excellence, with no supporting invoices identifying that the expenses were paid by the Center for Educational Excellence on behalf of the Academy.

These conditions provides for the Academy's continuing its operations absent an accurate accounting for its liabilities and an understatement of Proceeds from Notes Payable and the related Operating Expenses to the Academy's Financial Statements, as well as disclosure in the Notes to Financial Statements. Also, without adequate supporting documentation, the risk exists that those that have contributed to the Academy, may not be repaid all of which they had contributed.

Considering, the Academy's continued inability to pay for all of its operating expenses, and accumulated delinquent liabilities, and lack of supporting documentation, the potential exists that plans intended to improve the Academy's financial health could fail resulting in the closing of the Academy.

To improve the above conditions, we recommend the Academy's Management implement controls to assure complete and accurate accounting and support of its Outstanding Liabilities.

Controls could include the following:

- The Academy's Treasurer should maintain a listing of all liabilities categorized by Accounts Payable, Notes Payable, Intergovernmental Payable etc. and maintain the supporting invoices identifying the Academy's Obligations;
- The Academy's Treasurer should identify all funding and payments made on behalf of the Academy by others and post the funding as proceeds if intended to be repaid, and post the related expenditures to the Academy's ledgers and financial statements. Any Notes Payable to others should be disclosed in the Notes to the Financial Statements;
- The Academy's Governing Board should enter repayment agreements (when intended) prior to or at the time any third party provides funding or pays expenses on behalf of the Academy;
- The repayment agreements should be signed by both the Governing Board and the third party;
- Supporting documentation for any funding or payments made by others when there is an intention to repay, should include the invoice and or receipts of the expenses made, description of the goods or services provided and applicability to the Academy, and evidence of the method of funding or payment of the expense;
- The Governing Board should review outstanding liabilities and the related supporting documentation to assure accuracy and completeness of any outstanding obligations including documentation regarding the repayment of notes payable to individuals, or other organizations.

FINDING NUMBER 2013-006

Material Weakness

On-behalf Funding

The Center for Educational Excellence, Inc. (CEE) was awarded a Port Authority Grant for \$27,778. The grant funding was receipted into CEE's accounts. The grant agreement allowed and the award was used to help pay for development expenses paid by CEE on behalf of the Academy for Educational Excellence.

FINDING NUMBER 2013-006 (Continued)

The on-behalf funding from CEE for \$27,778 was not posted to the Academy's accounting system's receipts and disbursement ledgers, or financial statements.

This condition allows for possible understatement of both Revenues and Expenditures and possible improper use of grant funding.

To correct this condition, we recommend the Academy, upon recognition of on-behalf funding, to post the on-behalf funding receipts and related expenditures to its accounting system, and financial reports.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Academy for Educational Excellence
Lucas County
4747 Heatherdowns Boulevard
Toledo, Ohio 43614

To the Governing Board:

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

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

We noted the Academy included prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act"; within its Anti-Harassment, Intimidation and Bullying Policy adopted by the Governing Board on December 5, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 27, 2014

This page intentionally left blank.



Dave Yost • Auditor of State

ACADEMY FOR EDUCATIONAL EXCELLENCE

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
SEPTEMBER 18, 2014**