Rea & associates a brighter way

C.M. Grant Leadership Academy
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014

Dave Yost · Auditor of State

Board of Directors
C.M. Grant Leadership Academy
2440 Dawnlight Avenue
Columbus, Ohio 43211

We have reviewed the *Independent Auditor's Report* of the C.M. Grant Leadership Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The C.M. Grant Leadership Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

November 24, 2014

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Franklin County, Ohio
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Rea & associates a brighter way

October 14, 2014

To the Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2440 Dawnlight Avenue
Columbus, OH 43211

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the C.M. Grant Leadership Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of C.M. Grant Leadership Academy, Franklin County, Ohio, as of June 30, 2014, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 15, the Academy amended a building lease in August 2010 resulting in a non-refundable security deposit, and as a result, restated their net position to account for the non-refundable security deposit being amortized over the life of the lease rather than recording it in the Security Deposit asset line item. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Millersburg, Ohio

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The management's discussion and analysis of C.M. Grant Leadership Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net position was ($296,272) in 2014.
- Total assets were $160,257 in 2014.
- Liabilities were $456,529 in 2014.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

C. M. Grant Leadership Academy Financial Activities
Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, liabilities, revenues and expenses, both financial and capital, short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 10 and 11 of this report. The Statement of Cash Flows can be found on pages 12-13.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 14-25 of this report.

Table 1 provides a summary of the Academy's net position for fiscal years 2014 and 2013:

TABLE 1

	June 30	
	2014	2013
Assets		**(restated)**
Current Assets	$88,972	$100,913
Non-Current Assets	37,500	50,300
Capital Assets - Net	33,785	52,032
Total Assets	160,257	203,245
Liabilities		
Current Liabilities	456,529	369,102
Total Liabilities	456,529	369,102
Net Position		
Invested in Capital Assets	33,785	52,032
Unrestricted (Deficit)	(330,057)	(217,889)
Total Net Position	($296,272)	($165,857)

Total net position for the Academy decreased $130,415 largely due to a decrease in enrollment. Net Capital Assets decreased due to depreciation of existing assets, retirements due to results of physical inventory and few capital additions during the year. Noncurrent assets decreased $12,800 due to the collection of an annual partial security deposit refund from the landlord.

Table 2 shows the changes in net position for fiscal years 2014 and 2013, as well as a listing of revenues and expenses.

TABLE 2

	June 30	
	2014	2013
Operating Revenues		**(restated)**
Foundation Payments	$820,168	$948,226
Other Revenues	6,399	3,983
Nonoperating Revenues		
Federal Grants	409,851	389,141
State Grants	81,750	9,538
Contributions and Donations	207	5,429
Total revenue	1,318,375	1,356,317
Operating Expenses		
Purchased Services	1,321,516	1,411,508
Materials and Supplies	46,998	57,809
Depreciation (unallocated)	29,634	34,447
Other expenses	47,231	46,361
Nonoperating Expenses		
Interest	3,039	1,981
Gain/Loss on Disposal of Assets	372	0
Total expenses	1,448,790	1,552,106
Change in Net Position (2013 Restated-see note 15)	($130,415)	($195,789)

Net position decreased $130,415. Foundation payments decreased $128,058 and Purchased Services expenses decreased $89,992 due to lower student count, and the separate identification of $61,008 of Poverty Based Funding, formerly part of Foundation Allowance and now included in State Grants. Depreciation expense decreased $4,813 due to a number of assets reaching the end of their useful lives before fiscal year end, coupled with a small number of new acquisitions.

Capital Assets

At the end of fiscal year 2014, the Academy had $33,785 invested in furniture, fixtures, and equipment, EDP equipment and software and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2014 and 2013.

TABLE 3

	2014	2013
Furniture, fixtures and equipment	$14,789	$20,786
EDP Equipment and Software	11,200	16,226
Non-EDP Equipment	2,834	5,485
Leasehold Improvements	4,962	9,535
Total Capital Assets	$33,785	$52,032

For more information on capital assets, see Note 5 to the basic financial statements.

Debt

On June 30, 2009, the Academy received a $71,000 note from its management company (The Leona Group). Principal payments of $3,310 were made during the fiscal year. The loan was paid in full at October 29, 2013.

On June 12, 2008, the Academy received a $150,000 note from its management company (The Leona Group). Payments totaling $25,000 were made in FY2014. The balance is $62,500. The entire balance is recorded as a note payable.

On August 29, 2013, the Academy received a $200,000 loan from RBS Citizens that was repaid in full during the fiscal year.

As of June 30, 2013, The Academy had an outstanding short-term loan balance from their management company (The Leona Group) of $15,500, which was paid in full on October 30, 2013. They received an additional loan of $4,200 on April 24, 2014 which was still outstanding at fiscal year-end. The short-term loan has no terms as to repayment and is part of the balance due in Notes Payable.

For more information on debt, see Note 12 to the basic financial statements.

Current Financial Issues

C.M. Grant Leadership Academy was formed in 2007 under a contract with the St. Aloysius Orphanage. During the 2013-2014 school year there were 130 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2014 amounted to $820,168.

The financial statements have been prepared in accordance with accounting principle generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern. For more information, see Note 16 to the basic financial statements.

Contacting the School's Financial Management

The 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 funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of C.M. Grant Leadership Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Net Position
June 30, 2014

Assets	
Current Assets:	
Cash and Cash Equivalents	$8,065
Intergovernmental Receivables	75,074
Prepaid Items	5,833
Total Current Assets	88,972
Non-Current Assets:	
Security Deposit	37,500
Capital Assets:	
Depreciable Capital Assets, Net	33,785
Total Non-Current Assets	71,285
Total Assets	160,257
Liabilities	
Current Liabilities:	
Accounts Payable	40,491
Accounts Payable - Related Party	33,541
Intergovernmental Payable	447
Notes Payable	66,700
Contracts Payable	315,350
Total Liabilities	456,529
Net Position	
Invested in Capital Assets	33,785
Unrestricted (Deficit)	(330,057)
Total Net Position	($296,272)

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues	
Foundation Payments	$820,168
Other Revenues	6,399
Total Operating Revenues	826,567
Operating Expenses	
Purchased Services (Note 10)	1,321,516
Materials and Supplies	46,998
Depreciation	29,634
Other	47,231
Total Operating Expenses	1,445,379
Operating Loss	(618,812)
Non-Operating Revenues and Expenses	
Federal Grants	409,851
State Grants	81,750
Loss on Disposition of Assets	(372)
Contributions and Donations	207
Interest and Fiscal Charges	(3,039)
Total Non-Operating Revenues and Expenses	488,397
Change in Net Position	(130,415)
Net Position Beginning of Year (Restated - see note 15)	(165,857)
Net Position End of Year	($296,272)

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Decrease in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$820,168
Cash Received from Other Operating Revenues	6,399
Cash Payments to Suppliers for Goods and Services	(1,283,684)
Net Cash Used for Operating Activities	(457,117)
Cash Flows from Noncapital Financing Activities:	
Other Non-Operating Revenues	
Federal Grants Received	423,386
State Grants Received	81,750
Contributions and Donations	207
Return of Deposit	12,800
Proceeds of Short Term Loans	4,200
Repayment of Short-Term Loans	(15,500)
Proceeds from Notes	200,000
Principal Payments	(228,310)
Interest Payments	(3,064)
Net Cash Provided by Noncapital Financing Activities	475,469
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(11,758)
Net Cash Used for Capital and Related Financing Activities	(11,758)
Net Decrease in Cash and Cash Equivalents	6,594
Cash and Cash Equivalents at Beginning of Year	1,471
Cash and Cash Equivalents at End of Year	$8,065

(Continued)

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	($618,812)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	29,634
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepaid Items	5,000
Increase/(Decrease) in Accounts Payable	(25,599)
Increase/(Decrease) in Accounts Payable-Related Party	1,356
Increase/(Decrease) in Intergovernmental Payable	217
Increase/(Decrease) in Contracts Payable	151,087
Total Adjustments	161,695
Net Cash Used by Operating Activities	($457,117)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

C.M. Grant Leadership Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which 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 acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period commencing June 23, 2010 and ending June 30, 2013. A one-year extension was executed on May 3, 2013, and another one year extension was executed on June 19, 2014. 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 seven 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 instructional/support facility staffed by two non-certified personnel and five certificated teachers who provide services to 130 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is 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 the Academy on a 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, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2014.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets, except for leasehold improvements which are depreciated over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years
Leasehold Improvements	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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. 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.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $150,000 less an $87,500 refund and $25,000 non-refundable portion per a lease amendment, is held by the lessor. (See Note 11)

3. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

A. Custodial Credit Risk of Bank Deposits

At June 30, 2014, the carrying value of all deposits was $8,065.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of $8,065 was fully insured by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2014 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	
Title I	$10,805
Title I SIG	15,628
Title I Carryover from Prior Years	457
Casino Tax Revenue	3,142
Medicaid Ohio Health Plan	2,927
STRS/SERS overdeducted from State Aid	2,248
RTTT	7,867
RTTT TIF	32,000
Total	$75,074

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$42,006	$0	$0	$42,006
EDP Equipment and Software	102,877	11,758	21,323	93,312
Non-EDP Equipment	14,168	0	1,673	12,495
Leasehold Improvements	38,231	0	0	38,231
Total Capital Assets Being Depreciated	197,282	11,758	22,996	186,044
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(21,220)	(5,997)	0	(27,217)
EDP Equipment and Software	(86,651)	(16,784)	(21,323)	(82,112)
Non-EDP Equipment	(8,683)	(2,280)	(1,302)	(9,661)
Leasehold Improvements	(28,696)	(4,573)	0	(33,269)
Total Accumulated Depreciation	(145,250)	(29,634)	(22,625)	(152,259)
Total Capital Assets Being Depreciated, Net	$52,032	($17,876)	$371	$33,785

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. During fiscal year 2014, the Academy contracted with Philadelphia Insurance. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability	$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property	150,000
BI	101,000
Umbrella	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previously year.

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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School 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 plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary,

7. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were $10,047, $11,080, and $17,177 respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

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 on 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were $49,620, $48,580, and $61,208 respectively; 100 percent has been contributed for all years.

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 postemployment benefit plans.

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were $583, $626, and $1,014 respectively, which equaled the required contributions each year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. 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 contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were $1,631, $2,088, and $3,098 respectively.

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 of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

8. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $3,817, $3,737, and $4,708 respectively. 100 percent has been contributed for all years.

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. Results of the review of state funding for fiscal year 2014 are not available as of this writing.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$463,755
Fringe Benefits	157,260
Other Professional Fees	184,781
The Leona Group, LLC	157,437
Legal Fees	2,320
St. Aloysius	26,435
Garbage Removal and Cleaning	16,174
Repairs and Maintenance	19,239
Facility Rental	142,773
Other Rentals and Leases	9,931
Communications	14,486
Advertising	6,597
Utilities	26,670
Contracted Food Service	75,844
Pupil Transportation	17,814
Total Purchased Services	$1,321,516

11. OPERATING LEASES

The Academy entered into a lease for the period August 11, 2008 through July 31, 2013 with Millworks, PTR, LLC. An amendment was signed on August 1, 2010 extending the term of the lease to July 31, 2015, and providing for a release of $75,000 of the security deposit over the term of the lease. The remaining $25,000 is non-refundable. On September 25, 2013 the lease was amended to modify the student count benchmarks and associated monthly rent. Payments to Millworks totaled $142,773 for the fiscal period.

Signatures are pending on a lease termination agreement with Mowrey Holdings, successor to Millworks PTR, LLC, to be effective September 1, 2014. The termination agreement provides for the payment of 6 months' rent totaling $66,000 less the balance of the security deposit totaling $37,500 to be made in 12 monthly installments.

On June 30, 2014, the Academy entered into a lease for the period August 1, 2014 through July 31, 2017 with The Buckeye Ranch Foundation, Inc.

11. OPERATING LEASES (continued)

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2014 (adjusted to reflect the aforementioned termination agreement).

Fiscal Year Ending June 30,	Facility Lease
2015	220,000
2016	162,200
2017	155,500
2018	13,000
Total minimum lease payments	$550,700

12. NOTES PAYABLE

Debt activity during 2014 was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Note Payable – The Leona Group 1	$87,500	$0	$25,000	$62,500
Note Payable – The Leona Group 2	3,310	0	3,310	0
Note Payable – RBS Citizens	0	200,000	200,000	0
Note Payable – Short Term Loans	15,500	4,200	15,500	4,200
Total	$106,310	$204,200	$243,810	$66,700

The Academy entered into a promissory note with The Leona Group of $150,000 on June 12, 2008. The note was used to pay the security deposit for the lease described in Note 11. Annual installments of the security deposit refund from the landlord are remitted to The Leona Group in payment of the note. The note has an interest rate of 3% and a maturity date of June 12, 2013; however The Leona Group does not consider the Academy to be in default and has allowed the Academy to make payments as resources become available. There were no penalties or other additional fees assessed against the Academy. See note 16 regarding intent to refinance this debt.

The Academy entered into a working capital note with The Leona Group of $71,000 on June 30, 2009. The note was used to pay for general operating expenses of the Academy. The note had an interest rate of 6%, required principal and interest payments totaling $1,667 per month, and had a maturity date of June 30, 2013. The note was paid in full as of October 29, 2013.

The Academy entered into a loan agreement with RBS Citizens, NA on August 29, 2013 with a maturity date of June 30, 2014. This agreement provided the Academy with $200,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner. This note was paid in full in 2014.

The Leona Group occasionally extends short term, unsecured loans to the Academy to alleviate cash flow deficiencies. At June 30, 2013 the balance of these loans totaled $15,500 and was paid as of October 30, 2013. There was an additional $4,200 advanced during fiscal year 2014 which remained outstanding. There are no signed agreements and no interest charges associated with these loans, and they are repaid at The Leona Group's discretion as funds become available.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, with automatic 1-year extensions with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The Academy incurred capitation fees of $157,437 for the 2014 fiscal year.

Terms of the management contract requires TLG to provide the following:

A. implementation and administration of the educational program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include rent, salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services.

Expenses	2014
Salaries and Wages	$463,755
Employee Benefits	157,260
Professional and Technical Services	17,694
Advertising	1,880
Contracted Craft or Trade Service	830
Other Supplies	3,926
Other Direct Costs	3,836
Total Expenses	$ 649,181

At June 30, 2014, the Academy had a balance due to The Leona Group, LLC in the amount of $315,350. This consists mostly of outstanding management fees, the final payroll of the fiscal year, and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Accounts Payable - Related Party	$9,330
Payroll	95,682
Management Fees	210,338
Total Expenses	$315,350

14. SUBSEQUENT EVENTS

The Board of Directors has resolved to enter into a loan agreement with RBS Citizens, NA during fiscal year 2015. Signed documents and funds were received on September 26, 2014. This agreement will provide the Academy with $100,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

A lease termination agreement was signed with Mowrey Holdings, successor to Millworks PTR, LLC, effective September 1, 2014. The agreement provides for a payment of 6 months' rent totaling $66,000 less the forfeited portion of the security deposit totaling $37,500 to be remitted in 12 monthly installments.

15. RESTATEMENT OF PRIOR YEAR NET POSITION

On August 1, 2010, an amendment was executed to the lease between Millworks, PTR, LLC and the Academy. This amendment provided, in part, that $25,000 of the security deposit would be non-refundable. The Academy had retained this non-refundable amount on its balance sheet. In light of the lease termination and the application of the $37,500 forfeited deposit against future payments of the rent settlement, the Academy has also allocated the non-refundable portion of the deposit to rent expense over the life of the lease in effect at the time of the amendment. This has resulted in a restatement of the June 30, 2013 net position as follows:

Beginning Net Position June 30, 2013	($151,690)
Adjustment	(14,167)
Restated Net Position June 30, 2013	($165,857)

16. GOING CONCERN

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern.

The Academy had an operating loss of $618,812, a decrease in net position of $130,415 and current liabilities exceeding current assets by $367,557 during fiscal year 2014.

The Academy's student enrollment for the 2013-2014 school year was below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company. Assistance may include restructuring of debt including the outstanding Note Payable and the balance in Contracts Payable over a three year term to mature in June 2017. The Academy's 2014-2015 enrollment continues to lag behind desired levels for the Academy to function financially on its own. Grassroots and social media marketing strategies will be undertaken to help increase enrollment. Expenditure cuts are also being implemented.

October 14, 2014

To the Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2440 Dawnlight Avenue
Columbus, OH 43211

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of C.M. Grant Leadership Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 14, 2014, wherein we noted the Academy restated their June 30, 2013 net position to account for a non-refundable security deposit being amortized over the life of the lease, and the financial statements were prepared assuming the Academy will continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Millersburg, Ohio

C.M. GRANT LEADERSHIP ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 9, 2014