



Dave Yost • Auditor of State

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Kids Unlimited Academy
Lucas County
2105 North McCord Road
Toledo, Ohio 43615

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Kids Unlimited Academy, Lucas County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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 accounting principles generally accepted in the United States of America; this includes 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 School'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 School'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Unlimited Academy, Lucas County, Ohio as of June 30, 2014, and the changes

in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 6, 2015

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2013-14 school year are as follows:

- Total assets decreased \$75,955.
- Total liabilities increased \$190,262.
- Total Net Position decreased \$266,217.
- Total operating and non-operating revenues were \$1,806,470. Total operating expenses were \$2,072,687.

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 Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2014. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2014. This is the School's first year of operation. Therefore, comparative information is not available.

**Table 1
Statement of Net Position**

	2014	2013
Assets		
Current Assets	\$ 120,232	\$ 172,268
Capital Assets, Net of Accumulated Depreciation	77,092	101,011
Total Assets	\$ 197,324	\$ 273,279
 Liabilities		
Current Liabilities	479,495	289,233
 Net Position		
Investment in Capital Assets	77,092	101,011
Restricted for Grants	19,139	54,690
Unrestricted	(378,402)	(171,655)
Total Net Position	\$ (282,171)	\$ (15,954)

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$(282,171).

Current assets represent cash and cash equivalents, accounts receivable and grants receivable. Current liabilities represent accounts payable, accrued expenses, accrued wages and benefits, and notes payable at fiscal year-end.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal year 2014, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2
Change in Net Position**

	2014	2013
Operating Revenue		
State Aid	\$ 1,291,739	\$ 487,697
Local Fundraising	246,730	344,632
Other	7,085	13,636
Total Operating Revenues	1,545,554	845,965
 Operating Expenses		
Salaries	922,664	428,777
Fringe Benefits	286,131	124,453
Purchased Services	695,132	439,932
Materials and Supplies	78,228	121,170
Other	42,277	34,958
Depreciation	48,255	41,499
Total Operating Expenses	2,072,687	1,190,789
Operating (Loss)	(527,133)	(344,824)
 Non-Operating Revenues		
Federal and State Grants	252,232	326,060
Other	8,684	2,810
Total Non-Operating Revenues	260,916	328,870
 Decrease in Net Position	\$ (266,217)	\$ (15,954)

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was \$77,092. This balance represents current year additions of \$24,336 offset by current year depreciation of \$48,255. For more information on capital assets, see Note 6 of the Basic Financial Statements.

DEBT

During the fiscal year, the School received additional monies from an existing line of credit in the amount of \$100,000, increasing the outstanding balance to \$275,000. For more information over the School's debt, see Note 7 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 2105 N. McCord Road, Toledo, Ohio 43615 or e-mail at dave@massasolutionsllc.com.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 58,403
Intergovernmental Receivable	58,079
Other Assets: Security Deposit	3,750
Total Current Assets	<u>120,232</u>

Non-Current Assets:

Capital Assets (Net of Accumulated Depreciation)	<u>77,092</u>
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Total Assets	<u>197,324</u>
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Liabilities:

Current Liabilities:

Accounts Payable	126,594
Accrued Expenses	29,524
Accrued Wages and Benefits	48,377
Line of Credit Payable	275,000
Total Current Liabilities	<u>479,495</u>

Net Position:

Invested in Capital Assets	77,092
Restricted for Grants	19,139
Unrestricted	<u>(378,402)</u>
Total Net Position (Deficit)	<u>\$ (282,171)</u>

See accompanying notes to the basic financial statements

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Operating Revenues:</u>	
State Aid	\$ 1,291,739
Local Fundraising	246,730
Other	7,085
	1,545,554
Total Operating Revenues	1,545,554
<u>Operating Expenses:</u>	
Salaries	922,664
Fringe Benefits	286,131
Purchased Services	695,132
Materials and Supplies	78,228
Other	42,277
Depreciation	48,255
	2,072,687
Total Operating Expenses	2,072,687
<i>Operating Loss</i>	<i>(527,133)</i>
<u>Non-Operating Revenues:</u>	
Federal and State Grants	252,232
Other	8,684
	260,916
Total Non-Operating Revenues	260,916
<i>Change in Net Position</i>	<i>(266,217)</i>
<i>Net Position, Beginning of Year (Deficit)</i>	<i>(15,954)</i>
<i>Net Position, End of Year (Deficit)</i>	<i><u><u>\$ (282,171)</u></u></i>

See accompanying notes to the basic financial statements

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 1,291,739
Cash Received from Other Operating Sources	253,815
Cash Payments to Suppliers for Goods and Services	(763,745)
Cash Payments to Employees for Services	(903,576)
Cash Payments for Employee Benefits	(279,485)
	(401,252)
<i>Net Cash Used for Operating Activities</i>	
<u>Cash Flows from Non-capital Financing Activities:</u>	
Cash Received from Line of Credit	100,000
Cash Received from Other State Sources	5,986
Cash Received from Federal and State Grants	265,185
	371,171
<i>Net Cash Provided by Non-capital Financing Activities</i>	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Cash Payments Used for Capital Acquisitions	(24,336)
	(24,336)
<i>Net Decrease in Cash and Cash Equivalents</i>	
	(54,417)
Cash and Cash Equivalents, Beginning of Year	112,820
	112,820
Cash and Cash Equivalents, End of Year	\$ 58,403
	58,403
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (527,133)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	48,255
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(8,885)
Increase in Accounts Payable	65,958
Increase in Accrued Wages and Benefits	22,038
(Decrease) in Other Assets	(3,750)
Increase in Accrued Expenses	2,265
	125,881
Total Adjustments	125,881
	125,881
<i>Net Cash Used by Operating Activities</i>	\$ (401,252)
	(401,252)

See accompanying notes to the basic financial statement

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE ENTITY

The Kids Unlimited Academy, (the School) is a federally recognized 501c3 organization and Ohio nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Ohio Council of Community Schools ("OCCS") (the Sponsor) for a five year period commencing on July 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. 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 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2014.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$77,092, as of June 30, 2014, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

The School's policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$1,291,739 this fiscal year from the Foundation Program and \$260,916 from Federal grants and other intergovernmental sources.

H. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of ten days per year and can be accrued up to a maximum of thirty days. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, accrued wages and benefits, and notes payable totaling \$479,494 at June 30, 2014.

J. Exchange and Non-Exchange Transactions

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 School 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 School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

Net Position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2014.

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

4. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at two financial institutions, Signature Bank and Key Bank, located in Toledo, Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2014, the book amount of the School's deposits was \$58,403 and the bank balance was \$85,267.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2014, none of the bank balance was exposed to custodial credit risk.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. INTERGOVERNMENTAL RECEIVABLES

The School has receivables due from intergovernmental sources totaling \$58,079 at June 30, 2014. These receivables represented monies earned from Title 1, eRate, School Lunch Reimbursement, and the State Casino tax, but not received as of June 30, 2014. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows.

6. CAPITAL ASSETS

For the period ending June 30, 2014, the School's capital assets consisted of the following:

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/14</u>
Capital Assets:				
Computers & Technology Assets	\$ 49,706	\$ 14,175	\$ -	\$ 63,881
Furniture, Fixtures, & Equipment	45,029	10,161	-	55,190
Textbooks	47,775	-	-	47,775
Total Capital Assets	<u>142,510</u>	<u>24,336</u>	<u>-</u>	<u>166,846</u>
Less Accumulated Depreciation:				
Computers & Technology Assets	(16,568)	(21,293)	-	(37,861)
Furniture, Fixtures, & Equipment	(9,006)	(11,037)	-	(20,043)
Textbooks	(15,925)	(15,925)	-	(31,850)
Total Accumulated Depreciation	<u>(41,499)</u>	<u>(48,255)</u>	<u>-</u>	<u>(89,754)</u>
Capital Assets, Net	<u>\$ 101,011</u>	<u>\$ (23,919)</u>	<u>\$ -</u>	<u>\$ 77,092</u>

7. LINE OF CREDIT PAYABLE

During the fiscal year ending 2014, the School received advances from a Line of Credit account established at Signature Bank in Toledo, Ohio. The interest rate on the line of credit was set at 3.25%. The amount outstanding as of June 30, 2014 is as follows:

<u>Line of Credit Amount</u>	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>
\$275,000	<u>\$ 175,000</u>	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 275,000</u>

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

8. RISK MANAGEMENT

A. Property & Liability

The School 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 the fiscal year ending June 30, 2014, the School contracted with Great American Insurance Group for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and an umbrella policy aggregate coverage of \$10,000,000.

B. Workers' Compensation

The School 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.

C. Employee Medical and Dental Benefits

The School provides medical, vision, and dental insurance benefits through Anthem to all full-time employees. During the School year, the School paid 100% of the monthly premiums for all employees.

9. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 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 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 School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014 and 2013 were \$31,258 and \$11,823 respectively, which equaled the required contribution of the year or 100%.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio)

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

Plan Options - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 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.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Schools 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 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014 and 2013 were \$103,944 and \$43,551 respectively, which is equal to 100 percent that has been contributed for fiscal year 2014. There were no contributions to the DC and Combined Plans for fiscal year 2014.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

10. POST EMPLOYMENT BENEFITS

A. School Employee Retirement System (SERS Ohio)

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2013 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, 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 2014, .16 percent of covered payroll was allocated to health care. 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. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 School's contribution for health care (including surcharge) for the fiscal year ended June 30, 2014 and 2013, were \$4,621 and \$1,726 respectively; 100 percent has been contributed for fiscal year 2014.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

10. POST EMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (SERS Ohio) (Continued)

0.74 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal year ended June 30, 2014 and 2013 were \$1,766 and \$668 respectively; 100 percent has been contributed for fiscal year 2014.

B. State Teachers Retirement System (STRS Ohio)

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

Funding Policy -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 School's contribution for health care for the fiscal year ended June 30, 2014 and 2013 were \$7,425 and \$3,111 respectively; 100 percent has been contributed for fiscal year 2014.

11. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation

There are currently no matters in litigation with the School as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

12. SPONSOR AND MANAGEMENT CONTRACTS

Sponsor

The School contracted with Ohio Council of Community Schools (OCCS) as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2014, the total sponsorship fees paid totaled \$38,290.

13. PURCHASED SERVICES

For the period of July 1, 2013 through June 30, 2014, the School made the following purchased services commitments.

Professional and Technical Services	\$ 144,399
Property Services	162,573
Travel and Meetings	14,704
Utilities	36,304
Communications	31,265
Contractual Trade Services	116,491
Pupil Transportation	<u>189,396</u>
	<u>\$ 695,132</u>

14. LEASE OBLIGATIONS

On August 1, 2013, the School entered into a lease with Holly Farms Properties, LTD for the property located at 2105 N. McCord Road, Toledo Ohio 43615. The term of the lease is for a period of 52 months. The total rent payments for the McCord Road property for the 2013-2014 school year was \$52,500.

FY2015	\$ 90,000
FY2016	92,625
FY2017	<u>89,375</u>
	<u>\$ 272,000</u>

Prior to the McCord Road address, the School was located at 3891 Martha Avenue, Toledo, Ohio. The lease was with the Roman Catholic Diocese for the period of July 1, 2013 – November 30, 2013, and the rent payments for that period was \$29,250.

On May 1, 2014, the School entered into another lease for space located at 3319 Nebraska Ave. in Toledo, Ohio. This lease with The Armory Church is for the period of May 1, 2014 – July 31, 2019. The additional space was needed to accommodate another grade level during the upcoming school year, as well as, create additional capacity for enrollment. Rent payments for this second location during fiscal year 2014 was \$15,000.

**KIDS UNLIMITED ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

15. SUBSEQUENT EVENT

On July 1, 2014, the School changed its name from Kids Unlimited Academy to SunBridge Schools. This change was found necessary in order to rebrand the School's image and clearly distinguish it from other similarly named organizations in the Toledo community. The change was approved by the Board of Directors.

On July 10, 2014, the School signed a new Line of Credit Agreement which increased the line of credit \$25,000 for a total of \$375,000. The change was approved by the President of the Board.

16. MANAGEMENT PLAN

The School had a deficit net position of \$282,171 at June 30, 2014. The School has developed additional physical capacity in this year in order to enroll more students. As of February 2015, there are approximately 100 more students than last year. As the School promotes existing grade levels and focuses on new enrollments at the kindergarten level, management believes the school can create a sustainable pipeline of students and revenues. Management considers the school to be in the infancy of its existence and management is making needed investments now to build a strong foundation going forward. In summary, management believes there is long-term plan to eliminate the negative fund balance.



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

Kids Unlimited Academy
Lucas County
2105 North McCord Road
Toledo, Ohio 43615

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 Kids Unlimited Academy, Lucas County, Ohio (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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 School's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 6, 2015



Dave Yost • Auditor of State

KIDS UNLIMITED ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**