



Dave Yost • Auditor of State

**IMPACT ACADEMY CINCINNATI
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Impact Academy Cincinnati
Hamilton County
3060 Durrell Avenue
Cincinnati, Ohio 45207

To the Board of Trustees and Sponsor:

Report on the Financial Statements

We have audited the accompanying financial statements of Impact Academy Cincinnati, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Impact Academy Cincinnati, Hamilton County, Ohio, as of June 30, 2013, and the respective changes in 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.

Emphasis of Matter

The School has suffered reoccurring losses from operations and has a net position deficiency of \$190,730 as of June 30, 2013. Management has disclosed no plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 June 2, 2014, 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

June 2, 2014

**IMPACT ACADEMY
HAMILTON COUNTY**
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

As management of the Impact Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School decreased \$42,810 in fiscal year 2013. Ending net position of the School was negative \$190,730.
- Total assets increased \$65,240 from the prior year while total liabilities increased by \$108,050.
- The School's operating loss for fiscal year 2013 was \$237,566 compared with an operating loss of \$204,653 reported for the prior year. Total revenues increased by \$505,382 while total expenses increased by \$400,272 over those reported for the prior year.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement 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.

This statement reports the School's net position; however, in evaluating the overall position and financial liability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. 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 causes of this change may be the result of many factors, some financial, some not.

**IMPACT ACADEMY
HAMILTON COUNTY**
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position for fiscal year 2013 compared with fiscal year 2012.

**Table 1
Net Position at Year End**

	2013	2012
Assets:		
Current Assets	\$ 89,530	\$ 41,771
Capital Assets, Net	22,097	4,616
Total Assets	111,627	46,387
Liabilities:		
Current Liabilities	288,933	194,307
Noncurrent Liabilities	13,424	-
Total Liabilities	302,357	194,307
Net Position:		
Net Investment in Capital Assets	5,226	4,616
Restricted	5,497	4,553
Unrestricted	(201,453)	(157,089)
Total Net Position	\$ (190,730)	\$ (147,920)

Current Assets increased significantly as a result of an increase in Cash from operations. Net Capital Assets increased significantly as a result of the School entering into a capital lease for two copiers totaling \$18,000.

Current Liabilities increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in accounts payable, accrued wages, and intergovernmental payable due to increased enrollment, and an increase in loans payable due to additional borrowings for operations.

**IMPACT ACADEMY
HAMILTON COUNTY**
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for fiscal year 2013 compared with fiscal year 2012.

**Table 2
Changes in Net Position**

	2013	2012
Operating Revenues:		
Foundation Revenues	\$ 694,917	\$ 329,843
Other Unrestricted Grants-In-Aid	2,134	-
Total Operating Revenues	697,051	329,843
Operating Expenses:		
Salaries and Wages	327,873	193,920
Fringe Benefits	79,871	46,213
Purchased Services	458,710	247,870
Materials and Supplies	48,780	40,177
Depreciation	3,082	513
Other	16,301	5,803
Total Operating Expenses	934,617	534,496
Operating Loss	(237,566)	(204,653)
Nonoperating Revenues:		
Federal Grants	194,177	56,733
State Grants	730	-
Interest Expense	(151)	-
Total Nonoperating Revenues	194,756	56,733
Change in Net Position	(42,810)	(147,920)
Net Position, Beginning of Year	(147,920)	-
Net Position, End of the Year	\$ (190,730)	\$ (147,920)

Foundation Revenues, Federal Grants, and Total Operating Expenses all increased significantly in comparison with the prior fiscal year as a result of increased student enrollment.

**IMPACT ACADEMY
HAMILTON COUNTY**
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Capital Assets

At fiscal year-end, the School's net capital asset balance was \$22,097, an increase of \$17,481 compared with the prior fiscal year. This balance represents current year additions of \$20,563 offset by current year depreciation of \$3,082. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At fiscal year-end, the School's loan payable balance was \$118,313, an increase of \$36,000 compared with the prior fiscal year. This balance represents current year additions of \$36,000. For more information on loans payable, see Note 12 to the basic financial statements.

At fiscal year-end, the School's capital lease payable balance was \$16,871, an increase of \$16,871 compared with the prior fiscal year. This balance represents current year additions of \$18,000 offset by current year principal payments of \$1,129. For more information on capital assets, see Note 14 to the basic financial statements.

Current Financial Issues

The School depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the School in future fiscal years due to the State's current economic environment. The School is expected to continue to grow in both the number of students, as well as the number of support staff, as it enters into its third year of operation, which will impact the School's funding since the School receives the majority of its finances from per student state aid.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Impact Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Impact Academy, 3060 Durrell Ave., Cincinnati, Ohio 45207.

**IMPACT ACADEMY
HAMILTON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Assets:

Current Assets	
Cash and Cash Equivalents	\$ 46,005
Intergovernmental Receivables	35,192
Prepaid Items	8,333
Total Current Assets	<u>89,530</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	22,097
Total Noncurrent Assets	<u>22,097</u>

Total Assets	<u>\$ 111,627</u>
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Liabilities:

Current Liabilities	
Accounts Payable	\$ 103,700
Accrued Wages and Benefits Payable	47,767
Intergovernmental Payable	15,706
Loans Payable	118,313
Capital Lease Payable	3,447
Total Current Liabilities	<u>288,933</u>

Long-Term Liabilities

Capital Lease Payable	13,424
Total Noncurrent Liabilities	<u>13,424</u>

Total Liabilities	<u>302,357</u>
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Net Position:

Net Investment in Capital Assets	5,226
Restricted	5,497
Unrestricted	(201,453)
Total Net Position	<u>(190,730)</u>

Total Liabilities and Net Position	<u>\$ 111,627</u>
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See accompanying notes to the basic financial statements.

**IMPACT ACADEMY
HAMILTON COUNTY**

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

Operating Revenues:	
Foundation Payments	\$ 694,917
Other Unrestricted Grants-In-Aid	2,134
Total Operating Revenues	<u>697,051</u>
 Operating Expenses:	
Salaries and Wages	327,873
Fringe Benefits	79,871
Purchased Services	458,710
Materials and Supplies	48,780
Depreciation	3,082
Other	16,301
Total Operating Expenses	<u>934,617</u>
 Operating Loss	 <u>(237,566)</u>
 Non-Operating Revenues (Expenses):	
Federal Grant Revenue	194,177
State Grant Revenue	730
Interest Expense	(151)
Total Non-Operating Revenues (Expenses)	<u>194,756</u>
 Change in Net Position	 (42,810)
 Net Position Beginning of Year	 <u>(147,920)</u>
Net Position End of Year	<u>\$ (190,730)</u>

See accompanying notes to the basic financial statements.

**IMPACT ACADEMY
HAMILTON COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Received from State of Ohio	\$ 709,568
Payments to Employees for Services and Benefits	(363,550)
Payments to Suppliers for Goods and Services	(414,324)
Payments to Others	(94,422)
Net Cash Used for Operating Activities	<u>(162,728)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Grants	169,932
Proceeds of Loans	36,000
State Grants	730
Net Cash from Noncapital Financing Activities	<u>206,662</u>
Cash Flows from Capital and Related Financing Activities:	
Payment of Capital Lease Principal	(1,129)
Payment of Capital Lease Interest	(151)
Net Cash Used for Capital and Related Financing Activities	<u>(1,280)</u>
Net Increase in Cash and Cash Equivalents	42,654
Cash and Cash Equivalents at Beginning of Year	3,351
Cash and Cash Equivalents at End of Year	<u>\$ 46,005</u>

See accompanying notes to the basic financial statements.

**IMPACT ACADEMY
HAMILTON COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Operating Loss	\$ (237,566)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	3,082
Changes in Assets and Liabilities:	
Intergovernmental Receivable	22,439
Prepaid Items	(3,299)
Accounts Payable	18,344
Accrued Wages and Benefits Payable	23,531
Intergovernmental Payable	10,741
Net Cash Used for Operating Activities	<u><u>\$ (162,728)</u></u>

Schedule of Noncash Transactions:

During the fiscal year, the School entered into a capital lease transaction to finance two copiers with a combined cost of \$18,000.

See accompanying notes to the basic financial statements.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

1. Description of the School and Reporting Entity:

Impact Academy (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through sixth grade through customizing learning for each child. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2013 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2013 fiscal period. The Richland Academy was the School's sponsor in fiscal year 2013. 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 director of a Five-member Board of Trustees (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 population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 3 non-certified and 9 certificated teaching personnel who provide services to 97 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 10.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. Summary of Significant Accounting Policies (continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized 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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Furniture, Fixtures, and Equipment	5 years

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. Summary of Significant Accounting Policies (continued):

F. 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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. Foundation funding and proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Accrued wages and benefits payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2013 contract.

Accounts payable – payments due for services or goods that were rendered or received during fiscal year 2013.

Intergovernmental payable - payments made after year-end for the School's share of retirement contributions, Medicare and Worker's Compensation associated with services rendered during the fiscal year.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. Summary of Significant Accounting Policies (continued):

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School did not have any deferred inflows of resources at fiscal year-end.

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits and Investments:

At June 30, 2013, the carrying amount of the School's deposits was \$46,005 and the bank balance was \$61,643. The entire bank balance was covered by the Federal Deposit Insurance Corporation.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2013 is as follows:

<u>Grant Program</u>	<u>Amount</u>
Title I	\$ 35,192

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Equipment	\$ 5,129	\$ 20,563	\$ -	\$ 25,692
Total Capital Assets	<u>5,129</u>	<u>20,563</u>	<u>-</u>	<u>25,692</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(513)	(3,082)	-	(3,595)
Total Accumulated Depreciation	<u>(513)</u>	<u>(3,082)</u>	<u>-</u>	<u>(3,595)</u>
Capital Assets, Net	<u>\$ 4,616</u>	<u>\$ 17,481</u>	<u>\$ -</u>	<u>\$ 22,097</u>

6. Risk Management:

A. Property and 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. For the year ended June 30, 2013, the School contracted with Argonaut Insurance Company for its insurance coverage as follows:

General Liability (aggregate)	\$3,000,000
Each Occurrence Limit	\$1,000,000
Personal/Advertising Limit	\$1,000,000
Damage to Rented Premises	\$500,000

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceed coverage amounts during the fiscal year.

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 determined by the State.

C. Employee Insurance Benefits

The School utilizes Ameriflex, Anthem Blue Cross Blue Shield, and Superior Dental Care, Inc. to provide dental, health, vision, life, accidental death and dismemberment insurance benefits to School employees.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and 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. The School Employees Retirement System 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 Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School 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, 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013 and 2012 were \$7,570 and \$4,597, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 39% of the required amount. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

7. Defined Benefit Pension Plans (continued):

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

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

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

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

7. Defined Benefit Pension Plans (continued):

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2013 and 2012 were \$35,111 and \$20,504, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 78% of the required amount. The unpaid contribution has been recorded as a liability.

C. Social Security

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

8. Post-employment Benefits:

a. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 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.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

8. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School's required contributions for the years ended June 30, 2013 and 2012 were \$428 and \$271, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 39% of the required amount. The unpaid contribution has been recorded as a liability.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including 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, 2013, the health care allocation is .16%. 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. State law provides 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 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2013 and 2012 were \$325 and \$923, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 39% of the required amount. The unpaid contribution has been recorded as a liability.

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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

8. Post-employment Benefits (continued):

a. State Teachers Retirement System

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment 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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal years ended June 30, 2013 and 2012 were \$2,701 and \$1,577, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 78% of the required amount. The unpaid contribution has been recorded as a liability.

9. Contingencies:

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and Full Time Equivalency calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2012-2013 school year; however, the conclusion of this review did not have a material effect on the financial statements.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

10. Instruction, Operations and Fiscal Management:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

The School paid M&A \$160,000 during fiscal year 2013.

11. Purchased Services:

During the fiscal year ended June 30, 2013, purchased services expenses for services rendered by various vendors were as follows:

Instruction Services	\$ 5,222
Instructional Improvement	500
Professional and Technical Services	213,707
Garbage Removal and Cleaning	16,685
Rentals	90,792
Other Property Services	6,399
Travel/Meeting Services	121
Utilities	28,033
Postage	360
Advertising	11,774
Contracted Food Services	73,542
Pupil Transportation Services	11,575
Total	<u>\$ 458,710</u>

12. Short-term Loan/Related Party

During fiscal year 2012, the School entered into six short-term loans for operations with Mangen & Associates, the School's Treasurer, totaling \$82,313. In fiscal year 2013, the School entered into three more short-term loans for operations, totaling \$36,000. The loans have an interest rate of 0%. The School did not make any payments during the fiscal year. The outstanding loan balance of \$118,313 is expected to be repaid within one year.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

13. Operating Leases:

During fiscal year 2012, the School entered into a lease agreement with Charles Ray Melrose, LLC for building space located at 2601 Melrose Ave., Cincinnati, Ohio. The lease term is for two years, commencing on August 1, 2011 and terminating on July 30, 2013. Rent during the initial term of the lease is \$6,098 per month; however, additional terms state that annual base rent per square foot will be reduced by six cents per square foot for every \$1,000 of tenant improvements, up to \$25,000. During fiscal year 2013, the School made lease payments of \$83,477.

During fiscal year 2012, the School entered in a lease agreement with OCE Imagistics for a copier. The lease term was for a period of 12 months. Monthly rent was \$209 plus additional charges based on the number and type of copies. Payments made to OCE Imagistics totaled \$3,092 during the fiscal year.

14. Capital Lease:

During fiscal year 2013, the School entered into a five-year lease with ProSource for the use of two copiers. Monthly rental payments of \$320 plus additional charges based on the number and type of copies began in March 2013 and totaled \$1,280 for the fiscal year ended June 30, 2013.

The following schedule details future lease payments of the School.

<u>Year</u>	<u>Total Payments</u>
Fiscal year 2014	\$ 3,840
Fiscal year 2015	3,840
Fiscal year 2016	3,840
Fiscal year 2017	3,840
Fiscal year 2018	2,560
	<u>17,920</u>
Less amount representing interest	(1,049)
Capital Lease Payable at year-end	<u><u>\$ 16,871</u></u>

At fiscal year-end, the two copiers had a carrying amount of \$16,200, which represents a cost of \$18,000 less accumulated depreciation of \$1,800.

**IMPACT ACADEMY
HAMILTON COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

15. Change in Accounting Principle:

For fiscal year 2013, the School has implemented the following:

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, “*The Financial Reporting Entity*”, and the related financial reporting requirements of Statement No. 34, “*Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*”, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” establishes financial accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as asset and liabilities. This change was incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position.

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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*

Impact Academy Cincinnati
Hamilton County
3060 Durrell Avenue
Cincinnati, Ohio 45207

To the Board of Trustees and Sponsor:

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 Impact Academy Cincinnati, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, and have issued our report thereon dated June 2, 2014, wherein we noted the School suffered a loss from operations and has a net position deficiency of \$190,730.

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*.

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 loop at the end of the last name.

Dave Yost
Auditor of State

Columbus, Ohio

June 2, 2014



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Impact Academy Cincinnati
Hamilton County
3060 Durrell Avenue
Cincinnati, Ohio 45207

To the Board of Trustees and Sponsor:

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

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

1. We noted the School did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus". Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 2, 2014

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Dave Yost • Auditor of State

IMPACT ACADEMY OF CINCINNATI

HAMILTON 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
JUNE 24, 2014**