



Dave Yost • Auditor of State



**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Accelerated Achievement Academy of North Cincinnati  
Hamilton County  
2712 Vine Street  
Cincinnati, Ohio 45219

To the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Accelerated Achievement Academy of North Cincinnati, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for 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 Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 the Accelerated Achievement Academy of North Cincinnati, Hamilton County 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.

**Emphasis of Matter**

As discussed in Note 12 of the financial statements, the Academy closed effective June 30, 2014.

**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 May 29, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 29, 2015

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

The discussion and analysis of Accelerated Achievement Academy of North Cincinnati (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 new 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 increased \$24,147
- Total liabilities increased \$24,147
- Total Net Position was \$0.
- Total operating and non-operating revenues were \$1,208,811. Total operating expenses were \$1,208,811.

**USING THIS ANNUAL REPORT**

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON 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 years 2014 and 2013.

**Table 1 – Statement of Net Position**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current Assets	\$ 45,705	\$ 21,558
Noncurrent Assets	-	-
<b>Total Assets</b>	<b>45,705</b>	<b>21,558</b>
<b>Liabilities</b>		
Current Liabilities	45,705	21,558
<b>Total Liabilities</b>	<b>45,705</b>	<b>21,558</b>
<b>Net Position</b>		
Invested in Capital Assets	-	-
Unrestricted	-	-
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ -</b>

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 was \$0.

Current assets represent cash and cash equivalents and intergovernmental receivable. Current liabilities represent accounts payable, accrued expenses and amounts owed to the management company at fiscal year-end. The non-current assets and the current liabilities decreased as a result of the change in the service agreement with the management company and the forgiveness of debt. See further discussion in the debt forgiveness.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON 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 – Changes in Net Position**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
State Aid	\$ 975,012	\$ 728,207
Other Revenue	7,328	3,571
Total Operating Revenues	<u>982,340</u>	<u>731,778</u>
 <b>Operating Expenses</b>		
Purchased Services	1,062,371	896,913
State Retirement	60,252	43,531
Legal Fees	18,000	18,474
Sponsor Fees	29,501	21,800
Accounting	30,693	26,535
Other	7,994	-
Total Operating Expenses	<u>1,208,811</u>	<u>1,007,253</u>
 Operating (Loss)	 (226,471)	 (275,475)
 <b>Non-Operating Revenues</b>		
Federal Grants	76,879	27,318
Management Company Contributions	149,592	248,157
Debt Forgiveness	-	1,030,594
Total Non-Operating Revenues	<u>226,471</u>	<u>1,306,069</u>
 <b>Changes in Net Position</b>	 <u>\$ -</u>	 <u>\$ 1,030,594</u>

State Aid increased by \$246,805 due to an increase in special education funding (\$104k) and an increase in FTE (16) from FY13. Purchased services increased by \$165,458 due to increased costs associated with salaries and benefits and management fees. Other non-operating revenue consists of working capital contributions from the management company.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON 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 of 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.

**DEBT FORGIVENESS**

On March 12, 2013, the School entered into an Amendment to the Amended and Restated Service Agreement and an Asset Purchase Agreement with Edison Learning, Inc., in which Edison Learning agreed to purchase certain assets of the School in exchange for the forgiveness of the Edison Note and other debts as of June 30, 2012. The assets exchanged had a cost of \$222,981 and the net debt forgiven was \$1,030,594.

**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. In FY14, the State raised the base per pupil funding to \$5,745, which is up from \$5,653 in the previous two years. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be approximately \$92 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2014 was 137 compared to a figure of 121 at the end of FY13.

In June 2014, the school board and the management company agreed that the school be closed and all operations cease as of June 30, 2014.

**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, 2712 Vine St., Cincinnati, Ohio 45219 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

**Statement of Net Position  
At June 30, 2014**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 31,619
Intergovernmental Receivable	5,929
Accounts Receivable	<u>8,157</u>

Total Current Assets 45,705

Total Assets \$ 45,705

**Liabilities**

*Current Liabilities:*

Accounts Payable	\$ 4,818
Intergovernmental Payable	21,033
Accrued Expense	3,218
Edison Payable	<u>16,636</u>

Total Liabilities \$ 45,705

**Net Position**

Total Net Position \$ -

See accompanying notes to the basic financial statements

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

**Statement of Revenues,  
Expenses and Changes in Net Position  
For the Year Ending June 30, 2014**

**Operating Revenues**

State Aid	\$	975,012
Other Revenue		7,328
		7,328
Total Operating Revenues		982,340

**Operating Expenses**

Purchased Services: Edison Learning		1,062,371
State Retirement		60,252
Legal Fees		18,000
Sponsor Fees		29,501
Accounting		30,693
Other		7,994
		7,994
Total Operating Expenses		1,208,811

**Operating (Loss)** (226,471)

**Non-Operating Revenues**

Federal Grants		76,879
Management Company Contributions		149,592
		149,592
Total Non-Operating Revenues		226,471

**Change in Net Position** -

**Net Position, Beginning of Year** -

**Net Position, End of Year** \$ -

See accompanying notes to the basic financial statements

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from State of Ohio	\$ 995,037
Cash Payments to State Retirement Systems	(60,252)
Cash Payments to Suppliers for Goods and Services	<u>(1,135,028)</u>
Net Cash (Used for) Operating Activities	(200,243)
<b><u>Cash Flows from Non-capital Financing Activities</u></b>	
Cash Received from Federal Grants	69,439
Cash Received from Management Company	<u>149,592</u>
Net Cash Provided by Non-capital Financing Activities	219,031
<b>Net Increase in Cash and Cash Equivalents</b>	<b>18,788</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>12,831</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 31,619</u></b>

(Continued)

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH (USED FOR) OPERATING ACTIVITIES**

<b>Operating Loss</b>	\$ (226,471)
Changes in Assets and Liabilities:	
(Increase)/ Decrease Accounts Receivable	671
Increase/ (Decrease) Intergovernmental Receivable	(2,711)
Increase/ (Decrease) Accounts Payable	1,416
Increase/ (Decrease) Accrued Expense	5,763
Increase/ (Decrease) Edison Payable	9,062
Increase/ (Decrease) Intergovernmental Payable	<u>12,027</u>
Net Cash (Used for) Operating Activities	(200,243)

See accompanying notes to the basic financial statements

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**1. DESCRIPTION OF THE ENTITY**

Accelerated Achievement Academy of North Cincinnati, (the School) is a 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 St. Aloysius Orphanage (the Sponsor) for a one year period commencing on July 1, 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 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 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**

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 in Net Position, financial position and cash flows.

The Government Accounting Standards Board 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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 of 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. 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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the above programs the School recorded \$975,012 this fiscal year from the Foundation Program and \$76,879 from Federal grants.

**G. 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 eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

**H. Accrued Liabilities**

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payables of \$4,818, intergovernmental payable of \$21,033, accrued expense of \$3,218 and Edison payable totaling \$16,636 at June 30, 2014.

**I. 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.

**J. Net Position**

Net Position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on its 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 consists 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.

**K. 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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**3. 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 one financial institution, Chase Bank, located in 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 \$31,619 and the bank balance was \$38,776.

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.

**4. RECEIVABLES**

The School has Federal and accounts receivables totaling \$8,157 and \$5,929, respectively, at June 30, 2014. These receivables represented cash revenue earned, but not received as of June 30, 2014.

**5. RISK MANAGEMENT**

**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 Willis of New York, Inc. for nonprofits and maintained general liability insurance with a \$1,250,000 single occurrence limit and \$20,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$25,000,000.

**6. DEFINED BENEFIT PENSIONS PLANS**

**A. School Employees Retirement System (SERS Ohio)**

**Plan Description** – Edison Learning on behalf of 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 North 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](http://www.ohsers.org) under Employer/ Audit Resources.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**6. DEFINED BENEFIT PENSIONS PLANS (Continued)**

**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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the 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, 2013 and 2012 were \$9,245, \$5,504 and \$11,231 respectively, which equaled the required contribution of the year or 100%.

**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](http://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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**6. DEFINED BENEFIT PENSIONS PLANS (Continued)**

**Funding Policy** - For fiscal year 2013, plan members were required to contribute 10 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 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$54,093, \$37,073 and \$30,099 respectively, which is equal to 100 percent that has been contributed for fiscal year 2013. There were no contributions to the DC and Combined Plans for fiscal year 2014.

**7. 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 \$99.90 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 North Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://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, 0.14 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 \$20,250.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**7. POST EMPLOYMENT BENEFITS (Continued)**

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 years ended June 30, 2014, 2013 and 2012, were \$539, \$539 and \$1,824 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 2013, this actuarially required allocation was 0.76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$411, \$311 and \$663 respectively; 100 percent has been contributed for fiscal year 2013.

**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](http://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 years ended June 30, 2014, 2013 and 2012 were \$3,864, \$2,852 and \$2,315 respectively; 100 percent has been contributed for fiscal year 2014.

**8. 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.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**8. CONTINGENCIES (Continued)**

**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. This review resulted in an adjustment of \$21,033 that the School was overpaid during fiscal year 2014.

**9. SPONSOR CONTRACT**

The School contracted with the St. Aloysius Orphanage 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 \$29,501.

**10. AGREEMENT WITH EDISON LEARNING, INC./ PURCHASED SERVICES EXPENSE**

On March 10, 2012, the School contracted with Edison Learning, Inc. to provide educational programs that offer educational excellence and educational innovation based on Edison Learning, Inc.'s unique school design, comprehensive educational programs, and management principles. The contract period ends on June 30, 2016, and may be renewed for an additional five-year term. Under the contract, Edison Learning, Inc. is responsible and accountable to the School's Board of Directors for the administration, operation, and performance of the School in accordance with the School's contract with RAA to operate the School.

Significant provisions of the contract are as follows:

On March 12, 2013, the School entered into an Amendment to the Amended and Restated Service Agreement and an Asset Purchase Agreement with Edison Learning, Inc., in which Edison Learning agreed to purchase certain assets of the School in exchange for the forgiveness of the Edison note and other debts. The assets exchanged had a value of \$222,981 and the net debt forgiven was \$1,030,594

**A. Financial Provisions**

**1. Management Consulting and Operation Fee**

The School is required to remit monthly to Edison Learning, Inc. any excess of revenues over expenditures, if so exist, as compensation for the variety of educational and management services it provides under the Agreement with the total management fee not to exceed 20%. During fiscal year 2014, expenditures exceeded revenues and Edison Learning contributed \$149,592 to the operations of the School, and is reported as management company contributions in non-operating revenues.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**10. AGREEMENT WITH EDISON LEARNING, INC./ PURCHASED SERVICES EXPENSE  
(Continued)**

**2. The School's Financial Responsibility**

The School is responsible for initial startup costs and rent. The School is also responsible to pay for sponsor and legal fees directly related to activities of the Board.

**3. Edison Financial Responsibilities**

Edison Learning, Inc. is responsible for costs associated with operating the School. Such costs shall include, but shall not be limited to, salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums, utilities, janitorial services, audit, legal and financial management services related to the operation of the School and repairs and maintenance of the School's facilities, except for capital repair. Edison Learning, Inc. shall equip the School's facilities with desks and other furniture and furnishings and these items are considered property of Edison Learning, Inc. Edison Learning, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; educator liability coverage; automobile liability insurance, for, personal injury and property damage; property insurance for facilities; and workers' compensation insurance for employees.

**4. Budget**

Edison Learning, Inc. shall provide the School with an annual budget, in reasonable detail, by April 15 of each fiscal year for the following fiscal year.

**B. Educational Services**

Edison Learning, Inc. provides educational services to dropout prevention and recovery schools, in addition to Edison's financial responsibilities noted above.

**C. Personnel**

All personnel working at the School are employees of the Accelerated Achievement Academy, North.

Edison Learning, Inc. shall be responsible for determining the staffing levels in the Academy, and shall have the responsibility to select, assign, evaluate, and discipline the Academy employees.

Compensation will be set according to Edison Learning, Inc.'s compensation policies for teachers, principals, and non-instructional staff which may include performance-based incentives. In addition, any accrued payroll, the related benefits, and pension obligation for the School's employees are included in the account Edison Payable, as these amounts are figured in with the amount of revenues remitted to Edison Learning, Inc. throughout the school year.

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**10. AGREEMENT WITH EDISON LEARNING, INC./ PURCHASED SERVICES EXPENSE  
(Continued)**

**D. Agreement Termination**

**1. Termination by the School**

The School may terminate the contract in the event Edison Learning, Inc. materially breaches the contract and Edison Learning, Inc. fails to remedy such breach within 90 days of its receipt of written notice of such breach from the School.

**2. Termination by Edison Learning, Inc.**

Edison Learning, Inc. may terminate the contract in the event the School materially breaches the contract and the School fails to remedy such breach within 90 days of its receipt of written notice of such breach from Edison Learning, Inc.

**E. Edison Learning, Inc. - Purchased Services**

For the fiscal year ended June 30, 2014, Edison Learning, Inc. incurred the following expenses on behalf of the School:

**Direct Site Expenses:**

Salaries and Wages and Benefits	\$ 525,017
Professional and Technical Services	113,763
Property Services	103,141
Curriculum and materials	198,452
Other Direct Costs	<u>121,998</u>
Total Expenses	<u>\$ 1,062,371</u>

**11. LEASE OBLIGATIONS**

The school entered into a lease agreement with Uptown Community Partners Limited Partnership for the current school premises. The lease term is from July 1, 2011 through June 30, 2016 with an annual base rent of \$81,575. The lease also includes two renewal options each for an additional two year term.

Future lease obligations are as follow:

FY 2015	81,575
FY 2016	<u>81,575</u>
TOTAL	<u>\$ 163,150</u>

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

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

**12. SCHOOL CLOSURE**

The School officially closed on June 30, 2014. The School disposed of its assets and the bank accounts will be closed and any remaining cash after the School's final expenses and payables have been paid will be paid back to the ODE. Below is the School's Statement of Net Position as of December 31, 2014:

<b>Assets</b>	
Cash	\$ 2,662
Total Assets	<u>2,662</u>
<b>Liabilities</b>	
Accounts Payable	41
Advances Payable – Edison	<u>2,621</u>
Total Liabilities	<u>2,662</u>
<b>Net Position</b>	<u>\$ -</u>
Beginning Net Assets	\$ -
Expenses	<u>-</u>
<b>Ending Net Assets</b>	<u>\$ -</u>

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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*

Accelerated Achievement Academy of North Cincinnati  
Hamilton County  
2712 Vine Street  
Cincinnati, Ohio 45219

To the 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 basic financial statements of the Accelerated Achievement Academy of North Cincinnati, Hamilton County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 29, 2015, wherein we noted that the Academy has ceased operations as of June 30, 2014 as described in Note 12 of the financial statements.

### ***Internal Control Over Financial Reporting***

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

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 Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 29, 2015

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH CINCINNATI  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Internal Controls relating to posting of Financial Statement Information.	No	Partially Corrected, Management Letter Comment
2013-002	ORC 3314.03(A)(6)(b) Attendance Policy relating to timely Student Withdrawals	No	Partially Corrected, Management Letter Comment

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# Dave Yost • Auditor of State

**ACCELERATED ACHIEVEMENT ACADEMY OF NORTH 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 18, 2015**