



Dave Yost · Auditor of State

**IMANI LEARNING ACADEMY
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Imani Learning Academy
Lucas County
728 Parkside Boulevard
Toledo, Ohio 43607

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Imani Learning Academy, Lucas 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 Imani Learning Academy, Lucas 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 14 to the financial statements, the Academy ceased operations on June 30, 2014. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 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

February 28, 2015

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position was \$31,127 at June 30, 2014. Due to fiscal unsustainability related to declining enrollment, the Academy ceased operations at June 30, 2014.
- The Academy had operating revenues of \$909,817 and operating expenses of \$1,416,770 for fiscal year 2014. The Academy also received \$121,273 in federal and State grants and \$222 in interest during fiscal year 2014. The total change in net position for the fiscal year was a decrease of \$385,458.

Using these Basic Financial Statements

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

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

The table below provides a summary of the Academy's net position for fiscal years 2014 and 2013.

| | Net Position | |
|------------------------------|---------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>Assets</u> | | |
| Current assets | \$ 23,869 | \$ 505,337 |
| Capital assets, net | <u>64,904</u> | <u>89,527</u> |
| Total assets | <u>88,773</u> | <u>594,864</u> |
| <u>Liabilities</u> | | |
| Current liabilities | <u>57,646</u> | <u>178,279</u> |
| <u>Net Position</u> | | |
| Investment in capital assets | 64,904 | 89,527 |
| Restricted | 685 | 154,323 |
| Unrestricted (deficit) | <u>(34,462)</u> | <u>172,735</u> |
| Total net position | <u>\$ 31,127</u> | <u>\$ 416,585</u> |

At June 30, 2014, the Academy's net position decreased by \$385,458. The most significant change was in cash and cash equivalents which decreased \$360,301. Due to fiscal unsustainability, the Academy ceased operations at June 30, 2014. After year-end, the capital assets were sold at auction and the proceeds were used to liquidate the remaining liabilities.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

The table below shows the changes in net position for fiscal years 2014 and 2013.

| | Change in Net Position | |
|---------------------------------------|-------------------------------|-------------------|
| | 2014 | 2013 |
| <u>Operating Revenues:</u> | | |
| State Foundation | \$ 874,057 | \$ 891,057 |
| Special education | 30,771 | 11,447 |
| Classroom fees | 130 | 671 |
| Extracurricular | 80 | 1,061 |
| Food services | - | 737 |
| Other | <u>4,779</u> | <u>2,668</u> |
| Total operating revenue | <u>909,817</u> | <u>907,641</u> |
| <u>Operating Expenses:</u> | | |
| Salaries and wages | 743,489 | 894,297 |
| Fringe benefits | 256,704 | 326,167 |
| Purchased services | 240,816 | 289,028 |
| Materials and supplies | 85,751 | 97,751 |
| Depreciation | 24,623 | 21,751 |
| Other | <u>65,387</u> | <u>54,635</u> |
| Total operating expenses | <u>1,416,770</u> | <u>1,683,629</u> |
| <u>Non-operating revenues:</u> | | |
| Federal and State grants | 121,273 | 429,072 |
| Interest income | <u>222</u> | <u>280</u> |
| Total non-operating revenues | <u>121,495</u> | <u>429,352</u> |
| Change in net position | (385,458) | (346,636) |
| Net position at beginning of year | <u>416,585</u> | <u>763,221</u> |
| Net position at end of year | <u>\$ 31,127</u> | <u>\$ 416,585</u> |

State Foundation Basic Aid and Special Education, as a whole, are the primary support for the Academy. These two revenue sources represent 87.74 percent of the total revenue during fiscal year 2014. Community schools receive no support from tax revenues.

The decrease in Federal and State grants was a result of the ending of the American Recovery and Reinvestment Act (ARRA) grants.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

Capital Assets

At June 30, 2014, the Academy had \$64,904 invested in furniture, fixtures and equipment net of accumulated depreciation. The Academy did not have any capital acquisition and \$24,623 in depreciation expense in fiscal year 2014. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

The Academy did not have any long-term obligations outstanding at June 30, 2014.

Current Financial Related Activities

The Academy was opened September 1, 2005 and is sponsored by the University of Toledo and their designee, the Ohio Council of Community Schools. The Academy ceased operations on June 30, 2014.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact the fiscal agent, Mr. Richard Cox at the Educational Service Center of Lake Erie West, 2275 Collingwood Boulevard, Toledo, Ohio 43620.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

Assets:

Current assets:

| | |
|---|---------------|
| Cash and cash equivalents. | \$ 14,234 |
| Receivables: | |
| Accounts | 5,931 |
| Intergovernmental. | <u>3,704</u> |
| Total current assets | <u>23,869</u> |
| Non-current assets: | |
| Depreciable capital assets, net | <u>64,904</u> |
| Total assets. | <u>88,773</u> |

Liabilities:

Current liabilities:

| | |
|------------------------------------|---------------|
| Accounts payable. | 33,595 |
| Intergovernmental payable. | <u>24,051</u> |
| Total liabilities | <u>57,646</u> |

Net position:

| | |
|---|------------------|
| Investment in capital assets. | 64,904 |
| Restricted for other purposes | 685 |
| Unrestricted (deficit). | <u>(34,462)</u> |
| Total net position. | <u>\$ 31,127</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

Operating revenues:

| | |
|--------------------------|----------------|
| State foundation. | \$ 874,057 |
| Special education. | 30,771 |
| Classroom fees. | 130 |
| Extracurricular. | 80 |
| Other. | 4,779 |
| Total operating revenues | <u>909,817</u> |

Operating expenses:

| | |
|---------------------------|------------------|
| Salaries and wages. | 743,489 |
| Fringe benefits. | 256,704 |
| Purchased services. | 240,816 |
| Materials and supplies | 85,751 |
| Other. | 65,387 |
| Depreciation | 24,623 |
| Total operating expenses. | <u>1,416,770</u> |

Operating loss. (506,953)

Non-operating revenues:

| | |
|-------------------------------|----------------|
| Federal and State grants. | 121,273 |
| Interest revenue | 222 |
| Total non-operating revenues. | <u>121,495</u> |

Change in net position (385,458)

Net position at beginning of year. 416,585

Net position at end of year \$ 31,127

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

Cash flows from operating activities:

| | |
|---|------------------|
| Cash received from state foundation | \$ 904,828 |
| Cash received from classroom fees | 130 |
| Cash received from extracurricular | 80 |
| Cash received from other operations | 4,646 |
| Cash payments for salaries and wages | (865,082) |
| Cash payments for fringe benefits | (285,579) |
| Cash payments to suppliers for goods and services | (226,264) |
| Cash payments for materials and supplies | (83,487) |
| Cash payments for other expenses | <u>(49,022)</u> |
| Net cash used in operating activities. | <u>(599,750)</u> |

Cash flows from noncapital financing activities:

| | |
|-----------------------------------|----------------|
| Federal and State grants. | <u>239,227</u> |
|-----------------------------------|----------------|

Cash flows from investing activities:

| | |
|---|-------------------------|
| Interest received | <u>222</u> |
| Net decrease in cash and cash equivalents. | (360,301) |
| Cash and cash equivalents at beginning of year | 374,535 |
| Cash and cash equivalents at end of year | <u>\$ 14,234</u> |

**Reconciliation of operating loss to net
cash used in operating activities:**

| | |
|---|---------------------|
| Operating loss. | \$ (506,953) |
| Adjustments: | |
| Depreciation | 24,623 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (5,931) |
| Decrease in intergovernmental receivable. | 2,198 |
| Decrease in prepayments | 6,946 |
| Increase in accounts payable. | 25,781 |
| Decrease in accrued wages and benefits. | (131,951) |
| Increase in intergovernmental payable. | 12,861 |
| Decrease in pension obligation payable. | <u>(27,324)</u> |
| Net cash used in operating activities. | <u>\$ (599,750)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

Imani Learning Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through eight. The Academy is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under a contract with the Toledo Public Schools for a period of five years commencing September 1, 2005. The Academy entered into a new contract with the University of Toledo and their designee, the Ohio Council of Community Schools (the "Sponsor") for a period of five years commencing on July 1, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 8 non-certified and 16 certified full time teaching personnel who provide services to 133 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

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

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

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

C. Basis of Accounting

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

Revenues 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. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy 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.

E. Cash and Cash Equivalents

The Academy's fiscal agent, the Educational Service Center of Lake Erie West, accounts for all monies received by the Academy. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. During fiscal year 2014, the Academy only had deposits.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program, IDEA-B grant, the Education Jobs grant, the Title I grant, the Title I-A grant, the Title II-D grant, Title II-A and the Federal Food Service program. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Furniture, Fixtures and Equipment | 5 years |

I. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

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

K. 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 those estimates.

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Academy.

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

NOTE 4 - DEPOSITS

Deposits with Financial Institutions

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the carrying amount of the Academy's deposits was \$14,234 and the bank balance was \$181,234. The entire balance was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables and accounts receivable. The accounts receivable were related to refunds and reimbursements. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

| Intergovernmental receivables: | Amount |
|---------------------------------------|-----------------|
| Casino tax revenue | \$ 3,446 |
| School Employees Retirement System | <u>258</u> |
| Total intergovernmental receivables | <u>\$ 3,704</u> |

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

| | <u>Balance 6/30/2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 6/30/2014</u> |
|-----------------------------------|------------------------------|--------------------|-------------------|------------------------------|
| Capital Assets Being Depreciated: | | | | |
| Furniture, Fixtures and Equipment | \$ 123,812 | \$ _____ - | \$ _____ - | \$ 123,812 |
| Less Accumulated Depreciation: | | | | |
| Furniture, Fixtures and Equipment | (34,285) | (24,623) | _____ - | (58,908) |
| Capital Assets, Net | <u>\$ 89,527</u> | <u>\$ (24,623)</u> | <u>\$ _____ -</u> | <u>\$ 64,904</u> |

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year ended 2014, the Academy contracted with and obtained insurance through broker Savage Property & Casualty, Inc. with the following insurance coverage:

| <u>Coverage</u> | <u>Limits of Coverage</u> |
|---|---------------------------|
| Commercial General Liability per occurrence | \$1,000,000 |
| Commercial General Liability aggregate | 2,000,000 |
| Employee Benefits Liability each employee | 1,000,000 |
| Auto Liability | 1,000,000 |
| Building and Contents personal property | 3,290,000 |
| Excess Liability Umbrella | 5,000,000 |
| School Leaders errors and omissions | 1,000,000 |

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in coverage from the prior fiscal year.

The Academy owns no property, but leases a school building located at 728 Parkside Boulevard in Toledo, Ohio and an adjacent modular classroom building.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 7 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Benefits

The Academy provides health benefits to its employees through SuperMed Medical PPO, SuperMed Dental, Life and AD&D.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$22,972, \$24,903 and \$23,608, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy 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 website at www.strsoh.org, under "Publications".

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$89,664, \$90,641 and \$90,119, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$14 made by the Academy and \$11 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy 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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that 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.

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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,369, \$2,887 and \$3,086, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,333, \$1,407 and \$1,394, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy 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, under "Publications" 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 Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$6,897, \$6,972 and \$6,932, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 10 - FISCAL AGENT

The Academy entered into a service agreement with the Treasurer of the Educational Service Center of Lake Erie West to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Educational Service Center of Lake Erie West 2% of the per pupil allotment paid to the Academy from the State of Ohio. A total contract payment of \$26,357 was paid during the fiscal year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 10 - FISCAL AGENT - (Continued)

- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 11 - PURCHASED SERVICES

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

| | |
|-------------------------------------|-------------------|
| Professional and Technical Services | \$ 107,171 |
| Property Services | 109,050 |
| Travel Mileage/Meeting Expense | 1,493 |
| Communications | 16,783 |
| Utilities | 3,516 |
| Contract Services | <u>2,803</u> |
| Total Purchased Services | <u>\$ 240,816</u> |

NOTE 12 - OPERATING LEASES

The Academy entered into a lease for the period July 1, 2013 to June 30, 2014. The Academy paid rent in the amount of \$62,500 in fiscal year 2014. In addition to the rent, an additional payment is required for real estate taxes, utilities, insurance, maintenance personnel reimbursement, copier lease charges, trash service charges, late charges and penalties.

NOTE 13 - CONTINGENCIES

A. Grants

The Academy 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 are 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 Academy at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

There are currently no matters in litigation with the Academy.

**IMANI LEARNING ACADEMY
LUCAS COUNTY, OHIO**

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

NOTE 13 - CONTINGENCIES - (Continued)

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. A review conducted by the Ohio Department of Education did not result in material discrepancies.

NOTE 14 - CEASED OPERATION

The Academy ceased operations as of June 30, 2014. This action was preceded by a notice dated June 17, 2014 from the Academy's Sponsor, Ohio Council of Community Schools. This notice was a letter of Notice of Intent to suspend operations. On June 18, 2014 the Academy received a Letter of Notice of Default under its Fiscal Services Agreement from Lake Erie West Educational Service Center. The Academy experienced declining enrollment and could not cover its costs of operation.

NOTE 15 - SUBSEQUENT EVENT

The Academy has followed the closing procedures prescribed by the Ohio Department of Education (ODE). These procedures include, among others, official notification to ODE, retirement systems, the students and community, disposition of assets and the preparation of financial statements.

As of the date of the report, the Academy had a cash balance of zero. Intergovernmental receivables outstanding June 30, 2014 have been received. Payables outstanding and other expenditures incurred after June 30, 2014 have been paid proportionately at 81% of balances owed. There were \$88,204 cash expenditures and \$73,970 cash receipts subsequent to year end through the report date.

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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

Imani Learning Academy
Lucas County
728 Parkside Boulevard
Toledo, Ohio 43607

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Imani Learning Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2015, wherein we noted the Academy ceased operations on June 30, 2014.

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.

Imani Learning Academy
Lucas County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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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.



Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2015



Dave Yost • Auditor of State

IMANI LEARNING ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2015