



Dave Yost • Auditor of State

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements	12
Required Supplementary Information:	
Schedule of the School's Proportionate Share of the Net Pension Liability:	
State Teachers Retirement System of Ohio.....	24
Schedule of School Contributions:	
State Teachers Retirement System of Ohio.....	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Albert Einstein Academy for Letters, Arts, and Sciences
Cuyahoga County
3550 Crocker Road
Westlake, Ohio 44145

To the Board of Overseers:

Report on the Financial Statements

We have audited the accompanying financial statements of the Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio, (the Academy), as of and for the year ended June 30, 2016, 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 such 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 Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 October 30, 2017, 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

October 30, 2017

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(Unaudited)

As management of Albert Einstein Academy for Letters, Arts and Sciences (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2016. 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 the Academy are as follows:

- In total, net position was \$465,975 at June 30, 2016
- The Academy's total assets were \$864,771 and total liabilities were \$1,815,037 at end of the fiscal year.
- The Academy had deferred outflows of resources of \$1,530,967 and deferred inflows of resources of \$114,726.
- The Academy had operating revenues of \$1,907,734, operating expenses of \$1,784,054, and non-operating revenues of \$77,800 for the fiscal year ended June 30, 2016. Total change in net position for the year was an increase of \$201,480

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND
SCIENCES**

CUYAHOGA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(Unaudited)

Financial Highlights (continued)

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

ALBERT STEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Unaudited)

Using this Annual Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

The Statement of Revenues, Expenses and Changes in Net Position reports the changes in net position. This change in net position is important because it tells the reader that, for the 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.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Unaudited)

Statement of Net Position

The Statement of Net Position answers the question of how well the Academy performed financially during 2016. This statement includes all assets, deferred outflows of resources, liabilities, and net position, both financial and capital and current and long-term, using the accrual basis of accounting, which is 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 expended.

Table 1 provides a summary of the Academy's Net Position for fiscal year 2016 and fiscal year 2015.

Table 1
Statement of Net Position

	2016	2015
Assets		
Current Assets	\$ 613,498	\$ 285,716
Capital Assets, Net	251,273	269,416
Total Assets	864,771	555,132
Deferred Outflow of Resources		
Pension System	1,530,967	100,553
Liabilities		
Current Liabilities	219,839	391,190
Long Term Liabilities	1,595,198	-
Total Liabilities	1,815,037	391,190
Deferred Inflow of Resources		
Pension System	114,726	-
Net Position		
Investment in Capital Assets	251,273	269,416
Unrestricted	214,702	(4,921)
Total Net Position	\$ 465,975	\$ 264,495

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2016, the Academy's net position was \$465,975.

Current assets include the Academy's cash and cash equivalents and intergovernmental receivable. Current liabilities include accounts payable, accrued wages, benefits, and intergovernmental payable.

The Academy had \$251,273 invested in capital assets at the end of fiscal year 2016.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015, as well as a listing of revenues and expenses.

Table 2
Change in Net Position

	2016	2015
Operating Revenue		
Foundation Payments	\$ 1,881,082	\$ 1,526,599
Casino Revenue	10,917	8,115
Student Receipts	-	1,073
Miscellaneous Operating Revenue	15,735	-
Total Operating Revenues	1,907,734	1,535,787
Operating Expenses		
Salaries	836,514	732,179
Benefits	410,742	12,383
Purchased Services	464,863	394,482
Materials and Supplies	30,363	27,869
Depreciation	18,143	2,724
Other	23,429	465
Total Operating Expenses	1,784,054	1,170,102
Operating Income (Loss)	123,680	365,685
Non-Operating Revenues		
Federal and State Grants	72,469	32,837
Donations	5,271	11,726
Other Non-Operating Revenue	60	-
Total Non-Operating Revenue	77,800	44,563
Change in net position	\$ 201,480	\$ 1,170,102
Net Position, Beginning of Year	264,495	(145,789)
Net Position, End of Year	\$ 465,975	\$ 264,495

The increase in revenues received in 2016 was due to the Academy's state aid based on an increase in full-time equivalency (FTE) enrollment. The Academy's most significant expense was "Salaries" in fiscal year 2016. The increase in purchased services is primarily due to an increase in purchased facilities services in fiscal year 2016.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Unaudited)

Capital Assets

At the end of fiscal year 2016, the Academy had \$251,273 in leasehold improvements. Table 3 shows the balance for fiscal year 2016 compared to 2015.

Table 3
Capital Assets (Net of Depreciation)

	2016	2015
Leasehold Improvements	\$ 251,273	\$ 269,416
Totals	\$ 251,273	\$ 269,416

For more information on capital assets, see note 8 in the notes to the financial statements.

Debt

At the end of fiscal year 2016, the Academy had no debt.

Current Financial Issues

The Academy is dependent upon legislative and governmental support to fund ongoing operations. The Academy is expected to grow in both the number of students and support staff as it enters the fourth year of operation, which will impact the Academy's funding since the Academy receives a majority of its financial support from per student state foundation payments.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the finances of the Albert Einstein Academy for Letters, Arts and Sciences and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Albert Einstein Academy for Letters, Arts and Sciences, 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
 CUYAHOGA COUNTY
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

ASSETS

<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 603,385
Intergovernmental Receivable	8,630
Accounts Receivable	1,483
	<hr/>
Total Current Assets	613,498
	<hr/>
<u>Noncurrent Assets</u>	
Capital Assets, Net	251,273
	<hr/>
Total Assets	864,771
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Pension System	1,530,967
	<hr/>

LIABILITIES

<u>Current liabilities</u>	
Accounts Payable	67,191
Accrued Wages and Benefits	152,648
	<hr/>
Total Current Liabilities	219,839
	<hr/>
<u>Long Term Liabilities</u>	
Net Pension Liability	1,595,198
	<hr/>
Total Long Term Liabilities	1,595,198
	<hr/>
Total Liabilities	1,815,037
	<hr/>

DEFERRED INFLOWS OF RESOURCES

Pension System	114,726
	<hr/>

NET POSITION

Invested in Capital Assets	251,273
Unrestricted Net Position	214,702
	<hr/>
Total Net Position	\$ 465,975
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
 CUYAHOGA COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES

Foundation Payments	\$	1,881,082
Casino Revenue		10,917
Miscellaneous Operating Revenues		15,735
		15,735
Total Operating Revenues		1,907,734

OPERATING EXPENSES

Salaries	\$	836,514
Benefits		410,742
Purchased Services		464,863
Materials and Supplies		30,363
Depreciation		18,143
Other Expenses		23,429
		23,429
Total Operating Expenses		1,784,054
Operating Income		123,680

NON-OPERATING REVENUES/(EXPENSES)

Federal Grants	72,469
Donations	5,271
Interest	60
	60
Total Non-Operating Revenues	77,800
Change in Net Position	201,480
Net Position, July 1, 2015	264,495
Net Position, June 30, 2016	\$ 465,975

The accompanying notes to the financial statements are an integral part of this statement.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
 CUYAHOGA COUNTY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State Aid	\$ 1,930,458
Cash Payments to Suppliers for Goods and Services	(1,657,752)
	272,706
Net Cash Used for Operating Activities	272,706

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grant Programs	72,469
Cash Payments to Miscellaneous Sources	5,331
	77,800
Net Cash Received from Non-Capital Financing Activities	77,800
Net Increase in Cash and Cash Equivalents	350,506
Cash and Cash Equivalents at Beginning of Year	252,879
Cash and Cash Equivalents at End of Year	\$ 603,385

**RECONCILIATION OF OPERATING INCOME TO NET CASH
 USED FOR OPERATING ACTIVITIES**

Operating Income	\$ 123,680
	123,680

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET
 CASH USED FOR OPERATING ACTIVITIES**

Depreciation	18,143
Changes in Assets, Liabilities, and Deferred Outflows/Inflows of Resources:	
Accounts Receivable	(1,483)
Intergovernmental Receivable	24,207
State aid Receivable	-
Pension Deferred Outflows	(1,430,414)
Accounts Payable	45,884
Accrued Wages and Benefits	(6,081)
Intergovernmental Payable	(24,014)
Net Pension Liability	1,595,198
Pension Deferred Inflows	114,726
Loans Payable	(187,140)
	149,026
Total Adjustments	149,026
Net Cash Used for Operating Activities	\$ 272,706

The accompanying notes to the financial statements are an integral part of this statement.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Albert Einstein Academy for Letters, Arts and Sciences (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may 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 five-year contract with the North Central Ohio Educational Service Center (the Sponsor) commencing July 1, 2013. 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 (Note 7).

The Academy operates under the direction of a five-member Board of Overseers. The Board of Overseers is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Overseers controls the Academy's one instructional/support facility which provide services to 224 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Academy 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 standing-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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

In accordance with Ohio Revised Code Section 5705.391(A), the Academy is required to submit a five-year forecast to the Ohio Department of Education. In addition, the Academy is required to submit a financial plan detailing the estimated revenues and expenses to the Sponsor each fiscal year.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds. The Academy did not have any investments during the fiscal year-ended June 30, 2016.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. 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. Capital improvements have a 15 year useful life.

All reported capital assets except land are depreciated. Improvements are depreciated utilizing the straight-line method, over the remaining useful lives of the related capital assets.

The Academy had \$251,273 in leasehold improvements at June 30, 2016.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. The Academy has no debt at fiscal year-end.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

H. 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 goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. Estimates

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

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of the financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. For the Academy, deferred outflows of resources are reported on the Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applied to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources are reported for pension. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 11)

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DEPOSITS

At June 30, 2016, the carrying amount of the Academy's deposits was \$603,385 and the bank balance was \$603,385. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$225,080 of the Academy's bank balance was exposed to custodial risk.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable from miscellaneous sources. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

<u>Funding Source</u>	<u>Amount</u>
Foundation Revenues:	
JV56 Adjustment	\$ 2,215
Pension System:	
STRS Overpayment	4,231
Due from Other Governments:	
Employer Portion of Social Security	2,184
Total Intergovernmental Receivable	<u>\$ 8,630</u>

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the Academy contracted with Great American Insurance Company for general liability, property insurance, educational errors and omissions insurance.

Coverages are as follows:

Employers' Liability	\$ 1,000,000
Automobile Liability	1,000,000
Employee Benefits	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded commercial coverage in the past three years.

The Academy pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 6 - PURCHASED SERVICES

During the fiscal year ended June 30, 2016, other purchased service expenses for services rendered by various vendors were as follows:

<u>Purchased Services</u>	<u>Amount</u>
Direct Expenses:	
Facilities services	\$ 280,943
Professional services	128,843
Contracted services	54,380
Other	697
Total	<u>\$ 464,863</u>

NOTE 7 - SPONSORSHIP SERVICES

The Academy is a party to a sponsorship services agreement with North Central Ohio Educational Service Center (NCOESC). The Agreement provides that NCOESC will perform the following services:

1. Monitor the Academy's compliance with all applicable laws;
2. Conduct comprehensive site visits to the Academy as necessary, but at least twice annually while classes are in session, and make written reports of all information obtained during such site visits, which shall be provided to the Ohio Department of Education upon request;
3. Monitor and evaluate the academic and fiscal performance and the organization and operation of the School on at least an annual basis;
4. Submit a written report of evaluation conducted to the parents of students enrolled and to the Department of Education by November 30th of each year;
5. Provide technical assistance to the Academy in complying with all laws;
6. Comply with the financial reporting requirements established by the Department of Education, and report the Academy's financial records in accordance with applicable accounting standards as prescribed by law; and
7. Notify the Department of Education within 24 hours of the Academy's failure to comply with an applicable law or contract requirement, as well as any other financial difficulties, under certain circumstances.

The Academy shall pay to the Sponsor a sponsorship fee equal to 3% of the total state foundation payment, based upon student enrollment, received by the Academy. In fiscal year 2016, the Academy paid approximately \$55,356 for sponsorship services.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – CAPITAL ASSETS

For the year ended June 30, 2016, the Academy's capital assets consisted of the following:

	Balance <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
Capital Assets Being Depreciated				
Leasehold Improvements	\$ 272,140	\$ -	\$ -	\$ 272,140
Total Capital Assets Being Depreciated	<u>272,140</u>	<u>-</u>	<u>-</u>	<u>272,140</u>
 Less Accumulated Depreciation				
Leasehold Improvements	(2,724)	(18,143)	-	(20,867)
Total Accumulated Depreciation	<u>(2,724)</u>	<u>(18,143)</u>	<u>-</u>	<u>(20,867)</u>
 Total Capital Assets Being Depreciated, Net	 <u>\$ 269,416</u>	 <u>\$ (18,143)</u>	 <u>\$ -</u>	 <u>\$ 251,273</u>

NOTE 9 - OPERATING LEASE

On May 7th, 2013 North Central Ohio Educational Service Center (NCOESC) entered into a lease agreement with Church on the Rise, Inc. for space located at 3550 Crocker Road, Westlake, Ohio. The term of the leased commenced on July 1, 2013 and continues through July 31, 2023.

Also on May 7th, 2013 the Academy entered into a sublease agreement with NCOESC under the same terms and conditions of the lease agreement noted above. For the fiscal year ended June 30, 2016, the Academy paid \$20,000/month in rent. Payments during fiscal year 2016 totaled \$220,244.

NOTE 10 – LOAN PAYABLE

During fiscal year 2016, the Academy repaid its loan from AEALAS Inc for leasehold improvements.

	Balance <u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2016</u>
Leasehold Improvements Loan	<u>\$ 187,140</u>	<u>\$ -</u>	<u>\$ 187,140</u>	<u>\$ -</u>

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS

a. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

b. Plan Description – State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

b. Plan Description – State Teachers Retirement System (STRS) (continued)

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$138,121 for fiscal year 2016.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS
Proportionate Share of the Net Pension Liability	\$1,595,198
Proportion of the Net Pension Liability	0.00577195%
Pension Expense	\$417,631

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$72,721
Changes in proportion and differences Academy's contributions subsequent to the measurement date	1,320,125
	138,121
Total Deferred Outflows of Resources	\$1,530,967
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$114,726
Total Deferred Inflows of Resources	\$114,726

\$138,121 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
Fiscal Year Ending June 30:	
2017	\$ 304,142
2018	304,142
2019	304,140
2020	365,696
	\$ 1,278,120

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

d. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

d. Actuarial Assumptions – STRS (continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$2,215,851	\$1,595,198	\$1,070,344

NOTE 12 – POST EMPLOYMENT BENEFITS

a. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0 per year. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 13 - CONTINGENCIES

a. 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 Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 13 – CONTINGENCIES (continued)

b. Enrollment FTE

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Academy, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

*Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Fiscal Year (1)*

	<u>2016</u>
School's Proportion of the Net Pension Liability	0.00577195%
School's Proportionate Share of the Net Pension Liability	\$ 1,595,198
School's Covered-Employee Payroll	\$ 718,236
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	222.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%

(1) Information prior to 2013 is not available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

*Required Supplementary Information
Schedule of School Contributions
State Teachers Retirement System of Ohio
Last Two Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 138,121	\$ 100,553
Contributions in Relation to the Contractually Required Contribution	<u>(138,121)</u>	<u>(100,553)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School Covered-Employee Payroll	\$ 986,579	\$ 718,236
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%

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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

Albert Einstein Academy for Letters, Arts and Sciences
Cuyahoga County
3550 Crocker Road
Westlake, Ohio 44145

To the Board of Overseers:

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 the Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 30, 2017.

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

October 30, 2017



Dave Yost • Auditor of State

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES

CUYAHOGA 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
NOVEMBER 28, 2017**