

GLOBAL IMPACT STEM ACADEMY

CLARK COUNTY

REGULAR AUDIT

JULY 1, 2017 – JUNE 30, 2018



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE KEITH FABER



Board of Directors
Global Impact Stem Academy
700 S. Limestone St.
Springfield, OH 45505

We have reviewed the *Independent Auditor's Report* of the Global Impact Stem Academy, Clark County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Global Impact Stem Academy is responsible for compliance with these laws and regulations.

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

January 17, 2019

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**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE BASIC FINANCIAL STATEMENTS	11
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	22

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Global Impact STEM Academy
Clark County
700 S. Limestone Street
Springfield, Ohio 45505



INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Global Impact STEM Academy, Clark County, Ohio (the Academy), as of and for the fiscal year ended June 30, 2018, 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 Global Impact STEM Academy, Clark County as of June 30, 2018, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 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.

Wilson, Shuman & Snow, Inc.

December 21, 2018
Newark, Ohio

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The management's discussion and analysis of the Global Impact STEM Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2018. 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 notes to the basic financial statements to enhance their understanding of the Academy's financial performance. The Academy began accepting students and State Foundation revenue in July 2013 and fiscal year 2014 was the first fiscal year of the Academy's operations.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position at June 30, 2018 was \$8,592,481, including unrestricted net position of \$2,200,603. This represents an increase of \$942,608 compared to the prior fiscal year's net position.
- The Academy had total revenues of \$5,496,658, including operating revenues of \$5,285,528 and non-operating revenues of \$211,130; these revenues supported operating expenses of \$4,553,200 and non-operating expenses of \$850 during fiscal year 2018.

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

Reporting the Academy's 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 the Academy perform financially during 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, 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 fiscal 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 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 can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 11-21 of this report.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The table below provides a summary of the Academy's net position at June 30, 2018 and June 30, 2017.

Net Position		
	2018	2017
<u>Assets</u>		
Current assets	\$ 2,758,416	\$ 4,183,048
Capital assets, net	6,375,378	4,825,773
Total assets	9,133,794	9,008,821
<u>Liabilities</u>		
Current liabilities	506,677	1,333,642
Non-current liabilities	34,636	25,306
Total liabilities	541,313	1,358,948
<u>Net position</u>		
Net investment in capital assets	6,361,815	4,805,920
Restricted	30,063	1,783,195
Unrestricted	2,200,603	1,060,758
Total net position	\$ 8,592,481	\$ 7,649,873

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the Academy's assets exceeded liabilities by \$8,592,481. Of this total, \$30,063 is restricted in use and \$2,200,603 is unrestricted.

Assets

Current assets at June 30, 2018 consist primarily of cash and cash equivalents. Current assets also include receivables and prepayments. The decrease in current assets and corresponding increase in capital assets is a result of the Academy spending State grant money on a building renovations project. This project was completed in fiscal year 2018. The Academy's capital assets consist of leasehold improvements and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending; therefore, the Academy's investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist of accounts and intergovernmental payables and the current portion of the Academy's capital lease obligations. Accounts payable at June 30, 2018 are mostly amounts owed to vendors for services performed and completed by fiscal year-end. Intergovernmental payables are primarily amounts owed to the Academy's fiscal agent, the Educational Service Center Council of Governments. Non-current liabilities at June 30, 2018 consist of capital leases and a long-term intergovernmental payable.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The following table shows the changes in net position for fiscal years 2018 and 2017.

Change in Net Position

	2018	2017
<u>Operating revenues:</u>		
State Foundation	\$ 5,125,941	\$ 3,080,355
Tuition and fees	114,483	60,561
Sales and charges for services	42,728	25,737
Miscellaneous	2,376	2,916
Total operating revenues	5,285,528	3,169,569
<u>Operating expenses:</u>		
Purchased services	3,867,756	2,474,067
Materials and supplies	398,902	415,298
Other	40,219	24,618
Depreciation	246,323	69,336
Total operating expenses	4,553,200	2,983,319
<u>Non-operating revenues (expenses):</u>		
Federal, State and local grants	209,942	6,423,461
Interest earnings	290	298
Contributions and donations	898	5,409
Interest and fiscal charges	(850)	(1,156)
Total non-operating revenues (expenses)	210,280	6,428,012
Change in net position	942,608	6,614,262
Net position at the beginning of the fiscal year	7,649,873	1,035,611
Net position at the end of the fiscal year	\$ 8,592,481	\$ 7,649,873

As the preceding table illustrates, the Academy's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The Academy's FTE went from 347 in 2017 to 608 in fiscal year 2018, leading to an increase in Foundation funding. All other Federal, State and local grants are reported as non-operating revenues. In 2017 this included \$6.3 million in State grant funding, which the Academy used to finance building renovations.

The main component of expenses for the Academy is purchased services, which accounted for 84.95% of all operating expenses in fiscal year 2018. These expenses consist primarily of professional and technical services, including payments made under the Academy's services contract with the Educational Service Center Council of Governments. Refer to Note 9 in the notes to the basic financial statements for additional detail on the components of purchased services expenses.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Capital Assets

At June 30, 2018, the Academy's capital assets consist of leasehold improvements and furniture and equipment in the amount of \$6,375,378 (net of accumulated depreciation). Capital asset acquisitions in fiscal year 2018 were \$1,795,928, and the Academy recognized \$246,323 in depreciation expense. The Academy completed a building renovations project in fiscal year 2018. The final capitalized cost of the project was \$6,303,844 which has been included in the leasehold improvements capital asset class. Refer to Note 6 in the notes to the basic financial statements for detail on the Academy's capital assets.

Debt Administration

The only long-term debt outstanding for the Academy is a capital lease obligation which was entered into during fiscal year 2016 in order to acquire copiers. At June 30, 2018, the balance of the lease is \$13,563, of which \$6,612 is due within one year. See Note 7 in the notes to the basic financial statements for detail on the lease.

Current Issues

The Academy receives approximately 97% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The Academy's allocation for fiscal year 2019 is approximately \$5.1 million.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors 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 Tammy Rizzo, Treasurer of the Global Impact STEM Academy, 2080 Citygate Drive, Columbus, Ohio 43219.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 2,591,747
Receivables:	
Accounts	87,952
Intergovernmental	54,679
Prepayments	<u>24,038</u>
Total current assets.	<u>2,758,416</u>
Non-current assets:	
Depreciable capital assets, net	<u>6,375,378</u>
Total non-current assets	<u>6,375,378</u>
Total assets	<u>9,133,794</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	115,552
Capital leases payable	6,612
Intergovernmental payable	<u>384,513</u>
Total current liabilities	<u>506,677</u>
Non-current liabilities:	
Intergovernmental payable	27,685
Capital leases payable	<u>6,951</u>
Total non-current liabilities	<u>34,636</u>
Total liabilities	<u>541,313</u>
 Net position:	
Net investment in capital assets	6,361,815
Restricted for capital projects	251
Restricted for locally funded programs.	29,812
Unrestricted.	<u>2,200,603</u>
Total net position	<u>\$ 8,592,481</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
State Foundation	\$ 5,125,941
Tuition and fees.	114,483
Sales and charges for services	42,728
Miscellaneous	2,376
Total operating revenues	5,285,528
Operating expenses:	
Purchased services	3,867,756
Materials and supplies.	398,902
Other	40,219
Depreciation	246,323
Total operating expenses	4,553,200
Operating income	732,328
Non-operating revenues (expenses):	
Federal, State and local grants.	209,942
Interest revenue	290
Contributions and donations	898
Interest and fiscal charges.	(850)
Total nonoperating revenues (expenses)	210,280
Change in net position.	942,608
Net position at beginning of fiscal year	7,649,873
Net position at end of fiscal year.	\$ 8,592,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from State Foundation.	\$ 5,011,987
Cash received from tuition and fees	107,991
Cash received from sales and charges for services	45,288
Cash received from miscellaneous sources.	1,876
Cash payments for purchased services	(3,789,193)
Cash payments for materials and supplies	(380,328)
Cash payments for other expenses	(37,888)
	<hr/>
Net cash provided by operating activities.	959,733
Cash flows from noncapital financing activities:	
Cash received from Federal, State and local grants.	210,215
Cash received from contributions and donations	2,458
	<hr/>
Net cash provided by noncapital financing activities	212,673
Cash flows from capital and related financing activities:	
Interest and fiscal charges.	(850)
Principal retirement on capital lease	(6,290)
Acquisition of capital assets.	(2,699,549)
	<hr/>
Net cash used in capital and related financing activities	(2,706,689)
Cash flows from investing activities:	
Interest received	290
	<hr/>
Net cash provided by investing activities.	290
Net decrease in cash and cash equivalents.	(1,533,993)
Cash and cash equivalents at beginning of fiscal year	4,125,740
Cash and cash equivalents at end of fiscal year	<u><u>\$ 2,591,747</u></u>

Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 732,328
Adjustments:	
Depreciation.	246,323
Changes in assets and liabilities:	
Increase in accounts receivable	(78,539)
Increase in intergovernmental receivable.	(49,679)
Decrease in prepayments	17,024
Increase in accounts payable	30,445
Increase in intergovernmental payable	61,831
	<hr/>
Net cash provided by operating activities.	<u><u>\$ 959,733</u></u>

Non-cash transactions:
At June 30, 2018, capital assets purchased on account amounted to \$78,158.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Global Impact STEM Academy (the “Academy”) is a legally separate nonprofit corporation served by an appointed fourteen-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. Founded in 2013 in Springfield, Ohio, the Academy was created to address industry challenges and solutions that students can tackle to solve the issues of tomorrow (and today). The Academy delivers an innovative and relevant curriculum through an interdisciplinary, project-driven school day. Equipped with their own unique skill-sets, our students are then plugged into post-secondary institutions and organizations throughout the state in fields of bioscience, energy, environment, agriculture, and more. The Academy offers education for children in the seventh through twelfth grade.

The Academy has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Academy’s Governing Board advises and assists the school staff on curriculum, school evaluation and research, professional development, funding and community relations. Fourteen members serve on the Governing Board, including representatives from Clark State Community College, Wright State University, Springfield City Schools, Turner Foundation, Clark County Farm Bureau, Dayton Development Coalition, and local business entrepreneurs. The Academy’s director and staff oversee the day-to-day operations of the school.

The Educational Service Center Council of Governments (ESCCOG) serves as the fiscal agent for the Academy (See Note 11).

Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s basic financial statements incomplete or misleading. Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant 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 accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus

The accounting and financial reporting treatment is determined by its 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 statement of net position.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic 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, are recorded 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 when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures 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, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the School to prepare a five-year projection.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Academy is pooled in a central bank account. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

For presentation on the basic financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Academy had no investments during the fiscal year ended June 30, 2018.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2018 consisted of leasehold improvements and furniture and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets at June 30, 2018 are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 3-20 years for furniture and equipment and 5-18 years for leasehold improvements.

H. Net Position

Net position represents the difference between assets and liabilities. 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. 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.

I. Intergovernmental Revenue

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

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated.

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is 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.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the basic financial statements.

K. Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The Academy had no extraordinary or special items during fiscal year 2018.

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2018, the Academy has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY - (Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the basic financial statements of the Academy.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the basic financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the basic financial statements of the Academy.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the basic financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the basic financial statements of the Academy.

NOTE 4 - DEPOSITS

Monies held by the Academy are classified by State statute into three categories.

Active monies are public deposits determined to be necessary to meet current demands upon the Academy treasury. Active monies must be maintained either as cash in the Academy Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Academy, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2018, the carrying amount of all Academy deposits was \$2,591,747 and the bank balance of all Academy deposits was \$2,605,528. Of the bank balance, \$250,000 was covered by the FDIC and \$2,355,528 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the Academy and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Academy's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018 consist of tuition and fees for services provided, reimbursements and intergovernmental grants and entitlements. All receivables are considered collectible in full and are expected to be collected within the subsequent fiscal year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 06/30/17	Additions	Reductions	Balance 06/30/18
Capital assets, not being depreciated:				
Construction in progress	\$ 4,540,656	\$ 1,763,188	\$(6,303,844)	\$ -
Total capital assets, not being depreciated	<u>4,540,656</u>	<u>1,763,188</u>	<u>(6,303,844)</u>	<u>-</u>
Capital assets, being depreciated:				
Leasehold improvements	169,800	6,303,844	-	6,473,644
Furniture and equipment	<u>253,973</u>	<u>32,740</u>	<u>-</u>	<u>286,713</u>
Total capital assets being depreciated	<u>423,773</u>	<u>6,336,584</u>	<u>-</u>	<u>6,760,357</u>
Less: accumulated depreciation				
Leasehold improvements	(59,430)	(209,067)	-	(268,497)
Furniture and equipment	<u>(79,226)</u>	<u>(37,256)</u>	<u>-</u>	<u>(116,482)</u>
Total accumulated depreciation	<u>(138,656)</u>	<u>(246,323)</u>	<u>-</u>	<u>(384,979)</u>
Capital assets, net	<u>\$ 4,825,773</u>	<u>\$ 7,853,449</u>	<u>\$(6,303,844)</u>	<u>\$ 6,375,378</u>

Leasehold improvements, in accordance with and funded by the Ohio School Facilities Commission, were capitalized by the Academy during fiscal year 2018 consist of renovations to the former Springfield City School District South High School for grades 7-12.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE

The Academy has entered into lease agreements to acquire copiers which meet the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$31,661, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Accumulated depreciation on the equipment at June 30, 2018 was \$9,498, leaving a book value of \$22,163.

Principal and interest payments in fiscal year 2018 were \$6,290 and \$850, respectively. The following is a schedule of the future long-term minimum lease payments required under the leases and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 7,140
2020	<u>7,140</u>
Total minimum lease payments	14,280
Less: amount representing interest	<u>(717)</u>
Present value of minimum lease payments	<u>\$ 13,563</u>

The following is a summary of the Academy's capital lease activity in fiscal year 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	<u>\$ 19,853</u>	<u>\$ -</u>	<u>\$ (6,290)</u>	<u>\$ 13,563</u>	<u>\$ 6,612</u>

NOTE 8 - INTERGOVERNMENTAL PAYABLE

The following is a summary of the Academy's intergovernmental payable activity in fiscal year 2018:

A. Compensated Absences

The Academy's employees are employed by the Educational Service Center Council of Governments (ESCCOG). Sick and vacation leave payouts for these employees are paid by the ESCCOG and subsequently reimbursed by the Academy. The intergovernmental payable reported as a long-term obligation represents the sick and vacation leave balances for the Academy's employees in accordance with GASB Statement No. 16. Below is the net change in this liability for fiscal year 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Intergovernmental payable	<u>\$ 32,890</u>	<u>\$ 32,046</u>	<u>\$ (21,147)</u>	<u>\$ 43,789</u>	<u>\$ 16,104</u>

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - INTERGOVERNMENTAL PAYABLE - (Continued)

B. Other Intergovernmental Payables

The following is a summary of other intergovernmental payables incurred by the Academy for fiscal year 2018 of which is considered due within one year:

Description	Amount
Payable to ESCCOG	\$ 359,236
Miscellaneous Payables	9,173
Total	\$ 368,409

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services *	\$ 3,506,548
Property services	79,336
Travel mileage and meetings	14,453
Communications	61,273
Utilities	39,639
Contracted craft or trade	98
Tuition	9,533
Pupil transportation services	21,537
Other	135,339
Total	\$ 3,867,756

* Professional and technical services includes \$3,177,761 in salary and benefit related expenses specific to Academy employees who are employed by the Educational Service Center Council of Governments.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2018, the Academy had commercial general liability and terrorism coverage through Brower Insurance. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in coverage from the prior three fiscal years.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 - SERVICE AGREEMENT

The Academy entered into a service contract with the ESCCOG for fiscal year 2018 to provide fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. The ESCCOG shall perform the following services for the Academy in accordance with the service agreement:

- Month End Accounting
- Accounts Payable/Receivable
- Payroll
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping
- Ohio Facilities Construction Commission Fiscal Services

NOTE 12 - 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2018.

B. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. STEM schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 basic financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

C. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the basic financial statements at June 30, 2018.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - OPERATING LEASE - LESSEE DISCLOSURE

Effective July 1, 2015, the Academy entered into a lease to rent a building from the Springfield City School District. The initial lease term is twenty years, with automatic one year renewals after the initial term, unless either party provides written notice of termination at least eighteen months prior to the end of the initial term, or at least six months prior to the end of the then current renewal period, as applicable.

Lease payments in fiscal year 2018 amounted to \$75,000. The required lease payments in fiscal years 2019 and 2020 are dependent on (a) the Academy determining, in its sole discretion, that it has sufficient enrollment to require a significant expansion of its space in the building, and (b) the Academy completing certain improvements to the building as to be agreed between the Academy and the lessor. The annual rent for fiscal years 2019 and 2020 will be \$250,000 if the conditions are met, or \$150,000 if the conditions are not met. Rent for the remainder of the initial term of the lease will be determined every three years by the Academy and lessor, with the condition that any increase in rent will be limited based on the change in the Consumer Price Index. The Academy and the lessor are currently negotiating future rent payments.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Global Impact STEM Academy
Clark County
700 S. Limestone Street
Springfield, Ohio 45505

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 the Global Impact STEM Academy, Clark County, (the Academy) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 21, 2018.

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 Entity'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.

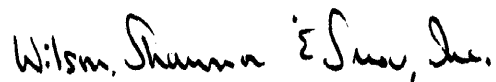
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies 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.



December 21, 2018
Newark, Ohio

OHIO AUDITOR OF STATE KEITH FABER



GLOBAL IMPACT STEM ACADEMY

CLARK 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
JANUARY 31, 2019**