HOPE ACADEMY FOR AUTISM

TRUMBULL COUNTY, OHIO

Audit Report

For the Year Ended June 30, 2017

CEH

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Hope Academy for Autism
1628 Niles Road, SE
Warren, Ohio 44484

We have reviewed the *Independent Auditor's Report* of the Hope Academy for Autism, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Hope Academy for Autism is responsible for compliance with these laws and regulations.

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported at a later date.

Keith Faber
Auditor of State
Columbus, Ohio

January 17, 2020

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HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
AUDIT REPORT
For the Year Ending June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Hope Academy for Autism
Trumbull County
1628 Niles Road SE
Warren, Ohio 44484

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hope Academy for Autism, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hope Academy for Autism, Trumbull County, Ohio, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with 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 that the management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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.

Charles E. Harris Associates

Charles E. Harris & Associates, Inc.
December 23, 2019

The discussion and analysis of Hope Academy for Autism (the Academy) financial performance provides an overall review of the financial activities for fiscal year ended June 30, 2017. 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 Hope Academy for Autism for fiscal year ended June 30, 2017 are as follows:

- Total assets and deferred outflows increased $104,004, which represents a 16 percent increase from 2016.
- Total liabilities and deferred inflows increased $494,846 which represents a 45 percent increase from 2016.
- Total revenue increased $64,560, which represents a 5 percent increase from 2016.
- Total expenses increased $515,461, which represents a 39 percent increase from 2016.
- Total net position decreased $390,842, which represents a 74 percent decrease from 2016.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the required supplemental information 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 presentations information is the same.

Statement of Net Position

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

Table 1 provides a summary of the Academy's net position as of June 30, 2017.

(Table 1)

Net Position

	2017	2016	Change
Assets			
Current Assets	$ 99,116	$ 250,528	$(151,412)
Capital Assets, Net	7,408	11,833	(4,425)
Total Assets	106,524	262,361	(155,837)

Deferred Outflows of Resources			
Pension	633,911	374,070	259,841
Total Deferred Outflows of Resources	633,911	374,070	259,841
Liabilities			
Current Liabilities	104,436	62,204	43,232
Long-Term Liabilities	1,553,461	1,085,130	468,331
Total Liabilities	1,657,897	1,147,334	510,563
Deferred Inflows of Resources			
Pension	-	15,717	(15,717)
Total Deferred Inflows of Resources	-	15,717	(15,717)
Net Position			
Investment in Capital Assets	7,408	11,833	(4,425)
Restricted	-	8,472	(8,472)
Unrestricted	(924,870)	(546,925)	(377,945)
Total Net Position	$(917,462)	$(526,620)	$(390,842)

The net pension liability (NPL) is the largest single liability reported by the Academy and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy’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.

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

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.

Current assets decreased in fiscal year 2017 mainly due to decrease in cash of $189,863 as a result of operations.

Table 2 shows the changes in net position for fiscal year ended June 30, 2017.

(Table 2)
Change in Net Position

	2017	2016	Change
Operating Revenues			
State Foundation	$1,266,526	$1,278,954	$ (12,428)
Non-Operating Revenues			
Federal and State	151,158	99,174	51,984
Miscellaneous	27,617	2,613	25,004
Total Revenues	1,445,301	1,380,741	64,560
Operating Expenses			
Salaries and Wages	780,489	613,711	166,778
Fringe Benefits	330,639	135,296	195,343
Purchased Services	669,214	518,872	150,342
Material and Supplies	27,291	33,008	(5,717)
Depreciation	4,425	4,425	(0)
Non-Operating Expenses			
Other Expenses	24,085	15,370	8,715
Total Expenses	1,836,143	1,320,682	515,461
Change in Net Position	(390,842)	60,059	(450,901)
Net Position, Beginning of Year	(526,620)	(586,679)	60,059
Net Position, End of Year	$ (917,462)	$ (526,620)	$(390,842)

Total revenues increased $64,560 from fiscal year ended 2016. This increase is mainly due to non-operating revenues as a result of the Academy receiving additional federal/state funding from during the fiscal year.

Total expenses increased $515,461 from fiscal year ended 2016. This increase is due to salaries & wages, fringe benefits and purchased services.

Capital Assets

At June 30, 2017, capital assets of the Academy were $22,185, which were offset by $14,777 in accumulated depreciation resulting in net capital assets of $7,408. See Note 4 of the notes to the basic financial statements for additional information.

Restrictions and Other Limitations

The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial-Related Activities

The Academy is sponsored by Educational Resource Consultants of Ohio, Inc. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality educational services to students. In order to continually provide learning opportunities to the Academy’s students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Hope Academy for Autism 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 Hope Academy for Autism, 1628 Niles Road SE, Warren, Ohio 44484.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS	
CURRENT ASSETS	
Cash	$ 38,162
Intergovernmental Receivable	60,954
Total Current Assets	99,116
NON-CURRENT ASSETS	
Capital Assets, Net	7,408
TOTAL ASSETS	106,524
DEFERRED OUTFLOWS OF RESOURCES	
Pension	633,911
TOTAL DEFERRED OUTFLOWS OF RESOURCES	633,911
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	12,240
Accrued Wages & Benefits	87,036
Intergovernmental Payable	5,160
Total Current Liabilities	104,436
LONG-TERM LIABILITIES	
Net Pension Liability (See Note 9)	1,553,461
TOTAL LIABILITIES	1,657,897
NET POSITION	
Investment in Capital Assets	7,408
Unrestricted	(924,870)
TOTAL NET POSITION	$ (917,462)

See accompanying notes to the financial statements.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OPERATING REVENUES:	
Foundation	$ 1,266,526
Total Operating Revenues	1,266,526
OPERATING EXPENSES	
Salaries and Wages	780,489
Fringe Benefits	330,639
Purchased Services	669,214
Materials and Supplies	27,291
Depreciation	4,425
Total Operating Expenses	1,812,058
Operating Loss	(545,532)
NON-OPERATING REVENUES/(EXPENSES)	
Federal and State Grant Revenue	151,158
Other Revenue	27,617
Other Expenses	(24,085)
Total Non-Operating Revenues/(Expenses)	154,690
Change in Net Position	(390,842)
Net Position, Beginning of Year	(526,620)
Net Position, End of Year	$ (917,462)

See accompanying notes to the financial statements.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

INCREASE (DECREASE) IN CASH	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 1,266,526
Cash Payments to Employees for Services and Benefits	(888,363)
Cash Payments to Suppliers for Goods and Services	(684,265)
Net Cash Used for Operating Activities	(306,102)
Cash Flows from Noncapital Financing Activities	
Federal and State Grants	112,707
Other Revenue	27,617
Other Expenses	(24,085)
Net Cash Provided by Noncapital Financing Activities	116,239
Net Decrease in Cash	(189,863)
Cash, Beginning of Year	228,025
Cash, End of Year	$ 38,162
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (545,532)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,425
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in Deferred Outflows	(259,841)
Increase (Decrease) in Accrued Wages	24,832
Increase (Decrease) in Intergovernmental Payable	5,160
Increase (Decrease) in Accounts Payable	12,240
Increase (Decrease) in Net Pension Liability	468,331
Increase (Decrease) in Deferred Inflows	(15,717)
Total Adjustments	239,430
Net Cash Used for Operating Activities	$ (306,102)

See accompanying notes to the financial statements.

1. Description of the Academy and Reporting Entity

Hope Academy for Autism (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide a nurturing environment, and develop the full potential of gifted students within the Autistic Spectrum Disorders population, by using a multi-structured approach to addressing their individual needs. 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 was approved for operation under a contract with the Educational Resource Consultants of Ohio, Inc. (the Sponsor) for fiscal year ended June 30, 2013. The Academy entered into a one-year contract with the Sponsor commencing July 1, 2012. The Sponsor renewed the Academy's contract for two years commencing July 1, 2013. On June 1, 2016, the Sponsor renewed the Academy's contract for one year and will automatically renew for one year through June 30, 2018 due to the status of the sponsorship between the Ohio Department of Education and the Sponsor. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy is an approved tax-exempt organization under Section 501(c)(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.

2. Summary of Significant Accounting Policies

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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, if any) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The difference between total assets plus deferred outflows and liabilities plus deferred inflows is defined as net position. The Statement of Revenues, Expenses and Change in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

2. Summary of Significant Accounting Policies (Continued)

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

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash

All monies received by the Academy are maintained in a demand deposit account. For purposes of the statement of cash flows, the Academy considers all investments having original maturities of 90 days or less as cash equivalents. The Academy did not have any investments during fiscal year 2017.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of $1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method. The Academy’s capital assets consist of vehicles, furniture and equipment, and improvements. Vehicles, furniture and equipment are depreciated over five years.

F. Estimates

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

G. Intergovernmental Revenues

The Academy is a participant in the State Foundation. The foundation is recognized as operating revenues in the accounting period in which it is earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

For fiscal year 2017, intergovernmental revenues associated with the Foundation totaled $1,266,526. Revenues associated with specific education grants from the state and federal governments totaled $151,158.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation, if any.

2. Summary of Significant Accounting Policies (Continued)

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2017. Accrued liabilities totaled $104,436 at June 30, 2017.

J. Deferred Outflow / Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/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 6.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the Academy, deferred inflows of resources are reported on the statement of net position include pension. Deferred inflows of resources related to pension are explained in Note 6.

K. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Investment in capital assets, if any, consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the Academy at year-end represents unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. 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.

3. Deposits

At June 30, 2017, the carrying amount of the Academy's deposits was $38,162 and the bank balance was $50,116. Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Academy’s deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk.

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Additions	Disposals	Balance 6/30/2017
Furniture and Equipment	$17,731	$ -	$ -	$17,731
Improvement	1,900	-	-	1,900
Bus	2,554	-	-	2,554
Total Capital Assets	22,185	-	-	22,185
Less: Accumulated Depreciation	(10,352)	(4,425)	-	(14,777)
Capital Assets, Net	$11,833	$ (4,425)	$ -	$7,408

5. Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2017, the Academy maintains liability insurance with respect to the particular activities of the Academy in the building. The Academy contracted with Philadelphia Indemnity Insurance Company for its insurance coverage as follows:

General Liability per occurrence	$1,000,000
General Liability aggregate	$2,000,000

There have been no settlements paid in excess of insurance coverage, nor has insurance coverage been significantly reduced in the past three years.

B. Workers' Compensation

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

C. Employee Insurance Benefits

The Academy utilizes Aflac to provide health, life, vision, and dental insurance benefits to Academy employees.

6. Defined Benefit Pension Plans

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.

6. Defined Benefit Pension Plans (Continued)

The 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. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

School Employees Retirement System (SERS)

Plan Description
Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

6. Defined Benefit Pension Plans (Continued)

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The Academy's contractually required contribution to SERS was $63,091 for fiscal year 2017.

State Teachers Retirement System (STRS)

Plan Description

Academy 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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

6. Defined Benefit Pension Plans (Continued)

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 to 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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $34,138 for fiscal year 2017.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 624,041	$ 929,420	$ 1,553,461
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00186431%	0.01269860%	
Prior Measurement Date	0.00163104%	0.01111720%	
Change in Proportionate Share	0.00023327%	0.00158140%	
Pension Expense	$ 113,178	$ 176,824	$ 290,002

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Academy's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight-line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight-line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

6. Defined Benefit Pension Plans (Continued)

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 25,214	$ 12,537	$ 37,751
Net Difference between Projected and Actual Earnings on Pension Plan Investments	51,812	76,663	128,475
Changes of Assumptions	0	62,044	62,044
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	157,341	151,071	308,412
Academy Contributions Subsequent to the Measurement Date	34,138	63,091	97,229
Total Deferred Outflows of Resources	$ 268,505	$ 365,406	$ 633,911

$97,229 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, 2018. 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	SERS	Total
Fiscal Year Ending June 30:			
2018	$ 60,233	$ 101,937	$ 162,170
2019	60,234	101,884	162,118
2020	80,111	76,458	156,569
2021	33,789	22,036	55,825
	$ 234,367	$ 302,315	$ 536,682

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and

6. Defined Benefit Pension Plans (Continued)

any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending June 30,, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to

6. Defined Benefit Pension Plans (Continued)

be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's Proportionate Share of the Net Pension Liability	$ 1,230,495	$ 929,420	$ 677,409

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on the fifth anniversary of the 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
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	100.00 %	7.61 %

6. Defined Benefit Pension Plans (Continued)

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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 as of June 30, 2016, 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	$ 829,299	$ 624,041	$ 450,893

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after June 30, 2017. Although the exact amount of these changes is not known, the overall decrease to Academy's net pension liability is expected to be significant.

7. Post-Employment Benefits

School Employees Retirement System

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

Health Care Plan

Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including

7. Post-Employment Benefits (Continued)

HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. For fiscal year 2017, the Academy's surcharge obligation was $7,562.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $7,562, $5,729, and $8,473, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at **www.ohsers.org** under ***Employers/Audit Resources***.

State Teachers Retirement System

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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the Academy did not contribute to health care in the last three fiscal years.

8. Purchased Services

For fiscal year ended June 30, 2017, purchased service expenses were as follows:

Professional Services	$ 231,230
Property	272,501
Travel / Meeting	3,554
Communication	31,913
Utilities	2,677
Contracted Services	51,882
Transportation	73,083
Other	2,374
Total Purchased Services	$ 669,214

9. Long-Term Obligations

The changes in the Academy's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/2016	Additions	Deductions	Principal Outstanding 6/30/2017
Net Pension Liability:				
STRS	$450,772	$173,269	$-	$624,041
SERS	634,358	295,062	-	929,420
Total Net Pension Liability	$1,085,130	$468,331	$-	$1,553,461

10. Operating Lease

On May 24, 2012, the Academy entered into a lease agreement with the Shepherd of All God's Children Development Center for a portion of a building in the amount of $10,000 per month. The lease is for 3 years, ending December 31, 2015, with the option to renew for one extended term of 2 years.

On October 1, 2015, the Academy entered into a commercial lease agreement with the Shepherd of All God's Children Development Center for a portion of a building for Hope for Autism 2 in the amount of $7,000 per month. The lease end September 2016. The lease may renew for one extended term of 2 years. Lease payments to the Shepherd of All God's Children Development totaled $204,000 for the fiscal year ended June 30, 2017.

The Academy leases an office equipment under non-cancelable operating lease that expires in 2021. Total equipment lease expense for the fiscal year ended June 30, 2017 was $2,211. The lease agreement grants the Academy options to renew the lease, purchase the office equipment at fair market value or return the office equipment.

Future minimum lease payments under non-cancelable operating lease with remaining terms in excess of one year as of June 30, 2017 are:

10. Operating Lease (Continued)

Fiscal Years Ending June 30:	
2018	$ 2,412
2019	2,412
2020	2,412
2021	402
Total	$ 7,638

11. Sponsor

A sponsorship agreement was executed between the Academy and the Educational Resource Consultants of Ohio for two (2) year period commencing July 1, 2013. On June 1, 2016, the Sponsor renewed the Academy's contract for one year and will automatically renew for one year through June 30, 2018 due to the status of the sponsorship between the Ohio Department of Education and the Sponsor. Under this agreement, the Academy pays the Sponsor 3% of State Aid. The Academy's sponsor fee expense at June 30, 2017 totaled $37,784.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, if applicable, cannot be determined at this time.

B. Full-Time Equivalency

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. Community 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. ODE performed such a review on the Academy for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are finalized. First FTE adjustment was September 2017 and resulted in an overpayment of $5,160 due to the ODE. This amount was recorded as an intergovernmental payable in the Academy's financial statements. Final FTE adjustment was January 2018 and resulted in a $23 payment due to the Academy. This amount is considered immaterial and has not been recorded in the Academy's financial statement.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are finalized. This amount is considered immaterial and has not been recorded in the Academy's financial statement.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2016	2015	2014	2013
State Teachers Retirement System (STRS)				
Academy's Proportion of the Net Pension Liability	0.00186431%	0.00163104%	0.00102238%	0.00102238%
Academy's Proportionate Share of the Net Pension Liability	$ 624,041	$ 450,772	$ 248,678	$ 296,224
Academy's Covered Payroll	$ 196,164	$ 172,143	$ 112,492	$ 92,685
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.12%	261.86%	221.06%	319.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
Academy's Proportion of the Net Pension Liability	0.01269860%	0.01111720%	0.00832900%	0.00832900%
Academy's Proportionate Share of the Net Pension Liability	$ 929,420	$ 634,358	$ 421,526	$ 495,299
Academy's Covered Payroll	$ 394,371	$ 355,508	$ 244,481	$ 123,049
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	178.44%	172.42%	402.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of Academy Contributions
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
State Teachers Retirement System (STRS)					
Contractually Required Contribution	$ 34,138	$ 27,463	$ 24,100	$ 14,624	$ 12,049
Contributions in Relation to the Contractually Required Contribution	(34,138)	(27,463)	(24,100)	(14,624)	(12,049)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's Covered Payroll	$ 243,843	$ 196,164	$ 172,143	$ 112,492	$ 92,685
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%
School Employees Retirement System (SERS)					
Contractually Required Contribution	$ 63,091	$ 55,212	$ 46,856	$ 33,885	$ 17,030
Contributions in Relation to the Contractually Required Contribution	(63,091)	(55,212)	(46,856)	(33,885)	(17,030)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's Covered Payroll	$ 450,650	$ 394,371	$ 355,508	$ 244,481	$ 123,049
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms:	There were no changes in benefit terms from the amounts reported for fiscal years 2016 and 2017.
Changes in assumptions:	Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions: · Discount rate from 7.75% to 7.50% · Assumed rate of inflation from 3.25% to 3.00% · Payroll growth assumption from 4.00% to 3.50% · Assumed real wage growth from 0.75% to 0.50%

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms:	There were no changes in benefit terms from the amounts reported for fiscal years 2016 and 2017.
Changes in assumptions:	There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2016 and 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Hope Academy for Autism
Trumbull County
1628 Niles Road SE
Warren, Ohio 44484

To the Board of Governors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Hope Academy for Autism, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2017, 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 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2017-002 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2017-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item 2017-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 23, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 23, 2019

SCHEDULE OF FINDINGS
June 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2017-001 – Material Noncompliance

ADM Reporting

Each community school is responsible for accurately reporting statistics to the Ohio Department of Education's Educational Management Information System (EMIS), which uses the statistics to compute the Academy's Average Daily Membership. Average Daily Membership is a material variable used to compute the Academy's funding. Average Daily Membership is computed by using individual student Full-Time Enrollment (FTE) which is submitted to EMIS on a quarterly basis. Pupils are not to be enrolled prior to actual date of entry in the Academy, and pupils withdrawn are not to be counted following the date of withdrawal unless formally re-enrolled.

Hope Academy's Withdrawal Policy # 5130 states that "…whenever a student wishes to withdraw, effort should be made to determine the underlying reason for such action and the resources of Hope Academy for Autism should be used to assist the student in reaching his/her career goals. No student under the age of 18 will be permitted to withdraw without the written consent of a parent and in compliance with State law." In addition, "the Executive Director shall ensure, through guidelines, that proper procedures are established so that such notification complies with the provisions of ORC 3321.13(B)(1)."

Three of ten student withdrawals tested (30%) did not have withdrawal documents in the student files. The Academy did not follow through with requests for withdrawal/transfer documents for one of the students tested; two out of the ten students tested (20%) did not have a birth certificate and proof of residency on file. In addition, acceptable alternative documentation to support withdrawals was not provided. Failure to accurately and timely record student withdrawals and/or transfers could result in the over or under funding of the Academy by the Ohio Department of Education.

We recommend the Academy develop specific procedures for the documentation of student withdrawals and transfers in accordance with the requirements of Ohio Rev. Code §3317.034(C) and Ohio Rev. Code §3321.13(B)(1). The Academy must maintain documentation to support any withdrawal code reported for a student. Also, in instances where the Academy is unable to secure the preferred documents, other documentation may be considered acceptable alternatives to support the relevant enrollment and withdrawal code. A table of the acceptable documentation can be found in the ODE EMIS Manual 2.1.1 - Required Documentation, and further guidance is available in ODE EMIS Manual 2.4. Those in charge of entering data should be properly trained on these procedures as well as requirements outlined by EMIS. The Academy should monitor and review all student enrollment and withdrawals regularly to ensure records are entered accurately and any errors found are corrected in a timely manner. The Academy should also use the Student Cross Reference (SCR) Report available to all schools to track enrollment of students on a statewide basis.

Officials' Response:

We did not receive a response from management for this finding.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - Continued

Finding Number 2017-002 – Material Weakness

Accrued Wages and Benefits - Record Keeping

The Academy has internal control procedures in place for the processing of employee payroll and timesheets. Some of these procedures include compensatory time, maintenance of records pertaining to vacation, holidays, and sick leave and prior managerial approval of vacation and overtime on timesheets. The Academy requires the above forms to be signed by management and/or the department head and the Executive Director in order for the employee to be compensated.

The Academy was unable to locate any supporting documents for the accrued wages and benefits accruals for several employees. Several employees tested did not have signed tax documents or direct deposit forms in their files. Payroll records were unorganized and unavailable in some cases. We were able to substantiate that employees were reasonably paid at the approved rates by performing alternative testing procedures.

Failure to maintain adequate internal controls over payroll records can lead to errors and incorrect accrual postings of which management and the Board may not be aware. We recommend that all statutory pay rate changes be documented in the employees' personnel files, that all necessary sick and vacation accruals e calculated and documented in accordance with the internal control procedures established by the Academy. In addition, we recommend the Finance Department maintain all appropriate and necessary documents for all payroll transactions.

Officials' Response:

We did not receive a response from management for this finding.

Finding Number 2017-003 – Significant deficiency

Certification of Expenditures

Prudent business practices dictate that prior to the purchase of any good or service, a purchase order should be completed prior to requesting any good or service. This will ensure that purchase commitments are received prior to the approval of payment.

During our testing of expenditures, we noted that purchases were being made prior to a purchase order being created. In addition, purchases were being made prior to authorization by the Board or proper management personnel.

We recommend management obtain prior authorization on purchase orders before ordering or otherwise obligating funds for purchases. Management may deem it beneficial to utilize a blanket purchase order for repetitive purchases from vendors with which business is conducted on a regular basis. This eliminates the need for purchase orders to be approved for each individual purchase but still allows the Board to approve limits on the spending of the Academy.

Officials' Response:

We did not receive a response from management for this finding.

OHIO AUDITOR OF STATE
KEITH FABER

HOPE ACADEMY FOR AUTISM

TRUMBULL 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
FEBRUARY, 4 2020