

C.M. Grant Leadership Academy
Franklin County, Ohio

Final Audit

For the Fiscal Year Ended
June 30, 2016



Dave Yost • Auditor of State

Board of Directors
C.M. Grant Leadership Academy
2440 Dawnlight Avenue
Columbus, OH 43211

We have reviewed the Independent Auditor's Report of the C.M. Grant Leadership Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 C.M. Grant Leadership Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 8, 2017

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C.M. Grant Leadership Academy
Franklin County, Ohio
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February 28, 2017

To the Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2440 Dawnlight Avenue
Columbus, OH 43211

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of C.M. Grant Leadership Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 entity'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 entity'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 C.M. Grant Leadership Academy, Franklin County, Ohio as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16, the Academy recognized a special item due to the application of GASB statement No. 69, *Government Combinations and Disposals of Government Operations* as the Academy elected to close operations effective June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Academy's Proportionate Share of the Net Pension Liability, and the Schedule of Academy Contributions on pages 4-10, 35, and 36, respectively, 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 February 28, 2017 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Kea & Associates, Inc.

Dublin, Ohio

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C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The management's discussion and analysis of C.M. Grant Leadership Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

C.M. Grant Leadership Academy ceased operations as of June 30, 2016.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- Net position was \$0 in 2016 due to the Academy discontinuing operations and closing on June 30, 2016.
- Total assets were \$84,253 in 2016, consisting of cash and receivables. All capital assets were donated to another academy managed by The Leona Group and retired as of June 30, 2016.
- Total liabilities were \$84,253 in 2016.
- A Special Item of \$1,653,857 representing activity directly related to the closing of the Academy is presented. This activity includes the write-off of pension-related liabilities and deferrals, management fees due to the management company, a loan from the management company, a non-refundable security deposit and rent advance, and a portion of accounts payable – trade. Any cash balances remaining after the collection of receivables and payment of liabilities will be returned to the Ohio Department of Education (ODE).

Using this Annual Report

This report consists of three parts, the required supplementary information, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

C. M. Grant Leadership Academy Financial Activities **Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and the** **Statement of Cash Flows**

These documents look at all financial transactions and ask the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses, both financial and capital, short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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 11 and 12 of this report. The Statement of Cash Flows can be found on pages 13-14.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 15-34 of this report.

Table 1 provides a summary of the Academy's net position for fiscal years 2016 and 2015:

TABLE 1

	June 30	
	2016	2015
Assets		
Current assets	\$ 84,253	\$ 30,927
Noncurrent assets	-	31,250
Capital assets - net	-	23,055
Total assets	84,253	85,232
Deferred Outflows of Resources		
Pension	-	48,339
Total deferred outflows of resources	-	48,339
Liabilities		
Current liabilities	84,253	484,953
Noncurrent liabilities		
Due in more than one year:		
Net pension liability	-	1,046,116
Total liabilities	84,253	1,531,069
Deferred Inflows of Resources		
Pension	-	190,128
Total deferred inflows of resources	-	190,128
Net Position		
Investment in capital assets	-	23,055
Unrestricted	-	(1,610,681)
Total Net Position	\$ -	\$(1,587,626)

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

As a result of the Academy's close, the Academy also applied GASB Statement 69, "Government Combinations and Disposals of Government Operation." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

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 earning approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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 the 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 this 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.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

As a result of applying GASB 69, the Academy recorded a Special Item related to the write-off of the resulting deferred outflows, deferred inflows and net pension liability as well as certain other assets and liabilities in order to report a net position of \$0.

Total net position for the Academy increased \$1,587,626, largely due to the presentation of the special item recorded to reflect activities directly related to the closing of the academy. Receivables increased \$48,565 due to anticipated eRate rebates and a Medicaid settlement. All capital assets were donated to another academy prior to the close of business on June 30, 2016.

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C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

TABLE 2

	June 30	
	2016	2015
Operating Revenues		
Foundation payments	\$ 664,028	\$ 697,579
Other revenues	77,005	16,278
 Nonoperating Revenues		
Federal grants	170,949	187,870
State grants	114,727	111,687
Contributions and donations	-	1,100
Other nonoperating	-	5,839
Total revenue	1,026,709	1,020,353
 Operating Expenses		
Purchased services (Note 12)	944,122	1,035,790
Materials and supplies	76,849	30,701
Depreciation (unallocated)	16,008	21,663
Other expenses	23,773	38,703
 Nonoperating Expenses		
Interest and fiscal charges	3,240	1,403
Other nonoperating expenses	28,948	-
Total Expenses	1,092,940	1,128,260
 Special Item (Note 16)	1,653,857	-
Increase (Decrease) in Net Position	1,587,626	(107,907)
Net Position Beginning of Year	(1,587,626)	(1,479,719)
 Net Position End of Year	\$ -	\$(1,587,626)

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Net position increased \$1,587,626. Other revenues increased \$60,727 due to anticipated eRate rebates and a Medicaid settlement. Materials and supplies increased \$46,148 due to increased spending on federally funded classroom supplies and higher noncapitalized equipment costs due to a change in capitalization policy.

The Special Item in 2016 consists of the following amounts written off as a direct result of the closing of the Academy:

Write off net pension liability	\$ 700,254
Write off deferred outflows related to pension	(74,630)
Write off deferred inflows related to pension	504,054
Loss on assets donated to another academy	(7,047)
Write off liability for contracts/management fees payable to management company	439,155
Write off portion of accounts payable trade	54,571
Write off nonrefundable security deposit paid to landlord	(12,000)
Write off nonrefundable rent paid in advance	(13,000)
Write off notes payable due to management company	62,500
 Total Special Item	 \$ 1,653,857

Capital Assets

All capital assets were donated to another academy prior to the close of business on June 30, 2016. Table 3 shows capital assets (net of depreciation) for the fiscal years 2016 and 2015.

TABLE 3	<u>Net Capital Assets</u>	
	June 30	
	2016	2015
Furniture, fixtures and equipment	\$ -	\$ 11,202
EDP equipment and software	-	4,594
Non-EDP equipment	-	1,052
Leasehold improvements	-	6,207
Total capital assets	\$ -	\$ 23,055

For more information on capital assets, see Note 7 to the basic financial statements.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Debt

On June 12, 2008, the Academy received a \$150,000 note from its management company (The Leona Group). No payments were made in fiscal year 2016. Due to the closure of the Academy, the balance of \$62,500 was written off and is included in the Special Item presented in Note 16.

On August 24, 2015, the Academy received a \$200,000 loan from RBS Citizens that was repaid in full during the fiscal year.

As of June 30, 2015, The Academy had an outstanding short-term loan balance from their management company (The Leona Group, LLC) of \$4,000, which was repaid on September 14, 2015. They received an additional loan of \$1,500 on July 30, 2015 which was repaid on August 28, 2015.

For more information on debt, see Note 14 to the basic financial statements.

Current Financial Issues

C.M. Grant Leadership Academy was formed in 2007 under a contract with the St. Aloysius Orphanage. During the 2015-2016 school year there were 99 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2016 amounted to \$664,028.

The Academy ceased operations on June 30, 2016.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky, Fiscal Officer of C.M. Grant Leadership Academy
2125 University Park Drive
Okemos, MI 48864
melinda.benkovsky@leonagroup.com

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Statement of Net Position
June 30, 2016

Assets

Current Assets:

Cash and cash equivalents	\$12,191
Accounts receivable	16,774
Intergovernmental receivables	55,288
Total Current Assets	<u>84,253</u>

Total Assets

84,253

Liabilities

Current Liabilities:

Accounts payable	36,506
Accounts payable - related party	36,177
Intergovernmental payable	11,570
Total Current Liabilities	<u>84,253</u>

Total Liabilities

84,253

Net Position

Unrestricted	<u>0</u>
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Total Net Position

\$0

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

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Operating Revenues	
Foundation payments	\$664,028
Other revenues	77,005
	<hr/>
Total Operating Revenues	741,033
	<hr/>
Operating Expenses	
Purchased services (Note 12)	944,122
Materials and supplies	76,849
Depreciation	16,008
Other	23,773
	<hr/>
Total Operating Expenses	1,060,752
	<hr/>
Operating Loss	(319,719)
	<hr/>
Non-Operating Revenues and Expenses	
Federal grants	170,949
State grants	114,727
Other nonoperating expenses	(28,948)
Interest and fiscal charges	(3,240)
	<hr/>
Total Non-Operating Revenues and Expenses	253,488
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Income (Loss) Before Special Item	(66,231)
	<hr/>
Special item (Note 16)	1,653,857
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Change in Net Position	1,587,626
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Net Position Beginning of Year	(1,587,626)
	<hr/>
Net Position End of Year	\$0
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Change in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash received from State of Ohio	\$671,987
Cash received from other operating revenues	26,962
Cash payments to suppliers for goods and services	<u>(936,512)</u>

Net Cash Used for Operating Activities (237,563)

Cash Flows from Noncapital Financing Activities:

Federal grants received	170,892
State grants received	114,613
Other nonoperating expenses	(28,735)
Proceeds of short-term loans	1,500
Repayment of short-term loans	(5,500)
Proceeds from notes	200,000
Principal payments	(200,000)
Interest payments	<u>(3,240)</u>

Net Cash Provided by Noncapital Financing Activities 249,530

Net Increase in Cash and Cash Equivalents 11,967

Cash and Cash Equivalents at Beginning of Year 224

Cash and Cash Equivalents at End of Year \$12,191

(Continued)

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$319,719)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	16,008
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(16,774)
Increase in Intergovernmental Receivable	(24,311)
Decrease in Prepaid Items	7,206
Decrease in Deposits	6,250
Decrease in Deferred Outflows	(26,291)
Increase in Accounts Payable	67,227
Increase in Contracts Payable-TLG	106,363
Decrease in Accrued Wages And Benefits	(24,107)
Increase in Intergovernmental Payable	1,407
Increase in STRS-SERS Payable	1,114
Decrease in Net Pension Liability	(345,862)
Increase in Deferred Inflows	313,926
	82,156
<i>Total Adjustments</i>	82,156
<i>Net Cash Used by Operating Activities</i>	(\$237,563)

Non-cash transactions

During the fiscal year, The Leona Group forgave \$62,500 worth of Notes Payable owed to The Leona Group, LLC

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

C.M. Grant Leadership Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. 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 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 St. Aloysius Orphanage (the Sponsor) for a period commencing June 23, 2010 and ending June 30, 2013. One-year extensions were executed on May 3, 2013 and June 19, 2014, and a three-year extension was executed on July 1, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by seven non-certified personnel and eight certificated teachers who provide services to 99 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (see Note 15).

On June 6, 2016, citing insufficient enrollment and financial unviability, the Board of Directors voted to cease operations effective June 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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

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

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the 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 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2016.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Additional information on capital asset activity during the fiscal year is presented in Note 7.

The Academy implemented a revised capitalization policy effective with the fiscal year ended June 30, 2016. Additional information on the revised capitalization policy is presented in Note 3.

G. Operating Revenues and Expenses

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

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$25,000, is held by the lessor. Additional information on the security deposit is presented in Note 13.

J. Deferred Outflows/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 a 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, pension expense affecting deferred outflows of resources is reported in the Statement of Revenues, Expenses and Changes in Net Position; however, due to the closure of the academy the resulting deferred outflows of resources were written off to a Special Item at June 30, 2016. Additional information on the Special Item is presented in Note 16.

In addition to liabilities, the statements of financial position will sometimes 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 until that time. For the Academy, pension expense affecting deferred inflows of resources is reported in the Statement of Revenues, Expenses and Changes in Net Position; however, due to the closure of the academy the resulting deferred inflows of resources were written off to a Special Item at June 30, 2016. Additional information on the Special Item is presented in Note 16.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Pension

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. For the Academy, pension expense affecting net pension liability is reported in the statement of revenues, expenses and changes in net position; however, due to the closure of the academy the resulting net pension liability was written off to a Special Item at June 30, 2016. Additional information on the Special Item is presented in Note 16.

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C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

3. CHANGE IN ACCOUNTING ESTIMATE – CAPITALIZATION THRESHOLDS

On May 8, 2015, and beginning with the fiscal year ended June 30, 2016, the Board of Directors approved a policy to increase the cost threshold for capitalizing most capital assets. This was done in order to more closely conform to Federal recommendations. Cost thresholds and useful lives by asset type are as follows:

<u>Asset type</u>	<u>Thresholds</u>	<u>Useful life</u>
Computer/EDP Equipment	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	3 years
Office/Non-EDP Equipment	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	6 years
Furniture (includes carpet and other shorter-lived improvements in owned buildings)	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	7 years
Vehicles	Any new; professional judgement for pre-owned	8 years for new; professional judgement for pre-owned
Software	\$10,000	3 years
Educational media and textbooks	\$5,000	5 years
Land and inexhaustible land improvements	\$5,000	Not depreciable
Owned buildings	No lower limit	39 years
Modular buildings	Any new; professional judgement for pre-owned	15 years for new; professional judgement for pre-owned
Improvements to owned buildings that significantly add to value	Subject to professional judgement but not less than \$25,000	Concurrent with building's remaining useful life
Depreciable site improvements to owned property	Subject to professional judgement but not less than \$25,000	15 years
Leasehold improvements including building and site (includes floor coverings and other short-lived fixtures)	Subject to professional judgement but not less than \$25,000	For the life of the lease. Useful life may be adjusted upon lease renewal subject to professional judgement.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

4. ACADEMY CLOSURE

C.M. Grant Leadership Academy ceased operations on June 30, 2016. Governmental Accounting Standards Board (GASB) Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The application of GASB Statement No. 69 is incorporated in the accompanying financial statements as it relates to the closing of the Academy.

5. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

At June 30, 2016, the carrying value of all deposits was \$12,191.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of \$12,191 was fully insured by the Federal Deposit Insurance Corporation.

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C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

6. RECEIVABLES

Receivables at June 30, 2016 consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	
<u>Source</u>	<u>June 30, 2016</u>
Intergovernmental Receivable:	
Medicaid	\$ 35,087
Basic aid	2,968
Casino tax revenue	2,253
SERS refund	94
Final foundation adjustments	2,195
Child nutrition	1,427
Title I SIP	<u>11,264</u>
Total intergovernmental receivable	<u>\$ 55,288</u>
Accounts Receivable:	
eRate refunds due	\$ 16,696
Refund from food service provider	48
Bank adjustment	<u>30</u>
Total accounts receivable	<u>\$ 16,774</u>

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

7. CAPITAL ASSETS

All capital assets were donated to another academy managed by The Leona Group, LLC, prior to the Academy's closing on June 30, 2016. Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

Capital Asset Activity

<u>Business-Type Activity</u>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>
Capital assets being depreciated				
Furniture, fixtures, and equipment	\$ 44,778	\$ -	\$ 44,778	\$ -
EDP equipment and software	93,220	-	93,220	-
Non-EDP equipment	12,495	-	12,495	-
Leasehold improvements	46,392	-	46,392	-
	<hr/>			
Total depreciable capital assets	196,885	-	196,885	-
Less accumulated depreciation:				
Furniture, fixtures, and equipment	(33,576)	(4,941)	(38,517)	-
EDP equipment and software	(88,626)	(3,905)	(92,531)	-
Non-EDP equipment	(11,443)	(955)	(12,398)	-
Leasehold improvements	(40,185)	(6,207)	(46,392)	-
	<hr/>			
Total accumulated depreciation	(173,830)	(16,008)	(189,838)	-
	<hr/>			
Total depreciable capital assets - net	\$ 23,055	\$ (16,008)	\$ 7,047	\$ -
	<hr/>			

\$7,047 in remaining net book value (after standard depreciation entry) was included in the amount written off to the Special Item directly related to the closing of the Academy. Additional information on the Special Item is presented in Note 16.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

8. RISK MANAGEMENT

A. Property and Liability

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

Coverage is as follows:

Insurance Coverages

<u>Type</u>	<u>Limits</u>
Educational Errors and Omissions:	
Part 1, D&O liability	\$1,000,000
Part 2, Employment practices	1,000,000
Aggregate, all parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV injury	1,000,000
Vehicle	1,000,000
Property:	
Personal property	196,312
BI	101,000
Umbrella	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Any changes in coverage from the previous year are due to converting all TLG-managed academies to one policy with common limits.

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.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

9. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The Academy reported pension expense affecting net pension liability in the Statement of Revenues, Expenses, and Changes in Net Position; however, due to the closure of the Academy, the resulting net pension liability was written off to a Special Item at June 30, 2016. Additional information on the Special Item is presented in Note 16.

B. Plan Description - 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:

<u>Benefits</u>	<u>Eligible to Retire on or before August 1, 2017*</u>	<u>Eligible to Retire On or After August 1, 2017</u>
Full	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	Age 60 with 5 years of service credit, or 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 years 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.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

9. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS) (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, 2016, 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 2016.

The Academy's contractually required contribution to SERS was \$8,471 for fiscal year 2016. The full amount has been contributed for fiscal year 2016.

C. Plan Description - 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

9. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$33,720 for fiscal year 2016. 96.7 percent has been contributed for fiscal year 2016.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

9. DEFINED BENEFIT PENSION PLANS (continued)

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

As a result of the implementation of GASB 69, the Academy shows no net pension liability, no deferred outflows of resources related to pension, and no deferred inflows related to pension as of June 30, 2016.

Although deferred outflows of resources, deferred inflows of resources, and net pension liability were eliminated in the implementation of GASB 69, pension expense was computed by recording other changes in those factors during the fiscal year.

Following is information related to pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Pension expense	\$(6,791)	\$(9,245)	\$(16,036)

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

10. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 are listed in the table below:

Contribution for Health Care Including Surcharge - SERS

Fiscal Year Ended June 30	<u>Surcharge</u>	<u>Healthcare</u>	<u>Total</u>	<u>Percent Contributed</u>
2016	\$ 806	\$ -	\$ 806	100%
2015	1,458	370	1,828	100%
2014	1,524	107	1,631	100%

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

10. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio (continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 are listed in the table below:

Contribution for Health Care - STRS

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>	<u>Percent Contributed</u>
2016	\$ -	N/A
2015	-	N/A
2014	3,817	100%

11. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds.

B. Ohio Department of Education Enrollment Review

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

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

12. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2016, purchased service expenses were payments for services rendered by various vendors, as follows:

Purchased Services	
<u>Category</u>	<u>FY2016</u>
Salaries	\$ 318,163
Fringe benefits	17,338
Other professional and technical services	118,387
The Leona Group, LLC	110,494
Legal services	3,340
St. Aloysius Orphanage	22,529
Cleaning services	18,483
Repairs and maintenance	7,052
Building rental	166,500
Other rentals	5,773
Communication	94,495
Advertising	4,107
Contracted food service	57,186
Pupil transportation	275
	<hr/>
Total purchased services	<u><u>\$ 944,122</u></u>

13. OPERATING LEASES

In August 2014, a lease termination agreement was entered into with Mowrey Holdings, successor to Millworks PTR, LLC, to be effective September 1, 2014. The termination agreement provides for the payment of 6 months' rent totaling \$66,000 less the balance of the security deposit totaling \$37,500 to be made in 12 monthly installments. Payments to Millworks PTR during the fiscal year totaled \$11,000 in post-termination rent less \$6,250 in refundable security deposit. The final payment of this agreement was made on August 27, 2015.

On June 30, 2014, the Academy entered into a lease for the period August 1, 2014 through July 31, 2017 with The Buckeye Ranch Foundation, Inc. Payments to Buckeye Ranch Foundation, Inc., totaled \$150,000 for the fiscal year.

Additionally, the landlord retained a \$25,000 security deposit and advance rent due to early termination of the lease related to the closing of the Academy. The forfeiture of this deposit is included in the Special Item presented in Note 16.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

14. DEBT

Debt activity during 2016 was as follows:

	Debt Activity			
<u>Owed To</u>	<u>Balance at</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/2016</u>
Note Payable - The Leona Group LLC	\$ 62,500	\$ -	\$ 62,500	\$ -
Note Payable - RBS Citizens	-	200,000	200,000	-
Short term loans	4,000	1,500	5,500	-
Total	<u>\$ 66,500</u>	<u>\$201,500</u>	<u>\$ 268,000</u>	<u>\$ -</u>

The Academy entered into a promissory note with The Leona Group of \$150,000 on June 12, 2008. The note was used to pay the security deposit for the lease described in Note 13. Annual installments of the security deposit refund from the landlord are remitted to The Leona Group in payment of the note. The note has an interest rate of 3% and a maturity date of June 12, 2013; however The Leona Group does not consider the Academy to be in default and has allowed the Academy to make payments as resources become available. There were no penalties or other additional fees assessed against the Academy. Due to the closure of the Academy at June 30, 2016, the note is considered uncollectible and is included in the Special Item presented in Note 16.

The Board of Directors entered into a loan agreement with RBS Citizens, NA on August 24, 2015. This agreement provided the Academy with \$200,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner. The final payment was made on June 30, 2016.

The Leona Group occasionally extends short term, unsecured loans to the Academy to alleviate cash flow deficiencies. At June 30, 2015 the balance of these loans totaled \$4,000. There was an additional \$1,500 advanced on July 30, 2015. All short-term loans from TLG were paid in full as of September 14, 2015. There are no signed agreements and no interest charges associated with these loans, and they are repaid at The Leona Group's discretion as funds become available.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

15. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, with automatic 1-year extensions with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per-pupil expenditures and a Year-End fee based on certain operating agreements as defined in the contract. The Academy incurred capitation fees of \$110,494 for the 2016 fiscal year.

Terms of the management contract requires TLG to provide the following:

- A. implementation and administration of the educational program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy and other costs related to providing educational and administrative services.

Related Party Transactions

<u>Type</u>	<u>FY2016</u>
Salaries	\$ 318,163
Benefits	75,565
Advertising	141
Communications	64
Contracted trades	887
Materials and supplies	1,382
Other direct costs	8,660
Other professional and technical services	<u>16,795</u>
Total related party transactions	<u>\$ 421,657</u>

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

15. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2016, the Academy had a balance due to The Leona Group, LLC in the amount of \$36,177. This consists mostly of the final payroll of the fiscal year, and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

Balance Due to The Leona Group, LLC

<u>Type</u>	<u>June 30, 2016</u>
Payroll	\$ 33,290
Miscellaneous	<u>2,887</u>
Total	<u><u>\$ 36,177</u></u>

In addition, there were \$439,155 in management fees owed to The Leona Group, LLC, at June 30, 2016 that were deemed uncollectible due to the closing of the Academy. These fees are included in the Special Item presented in Note 16.

16. SPECIAL ITEM – THE CLOSURE OF C.M. GRANT LEADERSHIP ACADEMY

On June 6, 2016, the Academy's Board of Directors passed a resolution to cease operations, effectively closing the Academy on June 30, 2016.

Pursuant to GASB Statement No. 69, the Academy is reporting a special item representing activities directly related to the closure. A summary of principal items included as a special item on the Statement of Revenues, Expenses and Changes in Net Position follows:

Write off net pension liability	\$ 700,254
Write off deferred outflows related to pension	(74,630)
Write off deferred inflows related to pension	504,054
Loss on assets donated to another academy	(7,047)
Write off liability for contracts/management fees payable to management company	439,155
Write off portion of accounts payable trade	54,571
Write off nonrefundable security deposit paid to landlord	(12,000)
Write off nonrefundable rent paid in advance	(13,000)
Write off notes payable due to management company	<u>62,500</u>
Total Special Item	<u><u>\$ 1,653,857</u></u>

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

17. SUBSEQUENT CASH RECEIPTS AND DISBURSEMENTS

Pursuant to GASB Statement No. 69, the Academy is reporting subsequent cash receipts and disbursements:

Cash Balance at June 30, 2016	\$ 12,191
Cash Receipts:	
Receipt of outstanding accounts receivable	9,028
Receipt of outstanding intergovernmental receivable	<u>55,288</u>
Total cash receipts	64,316
Cash Disbursements:	
Payment of outstanding accounts payable related party	35,062
Payment of outstanding accounts payable trade	24,348
Payment of outstanding intergovernmental payable	<u>1,663</u>
Total cash disbursements	<u>61,073</u>
Ending Cash Balance	<u><u>\$ 15,434</u></u>

There were no revenues or expenses recorded after June 30, 2016.

Once all liabilities are liquidated, any residual cash balance will be returned to ODE as required by Ohio Revised Code, Section 3313.074.

18. SPONSORSHIP AGREEMENT

The Academy entered into an agreement with St. Aloysius Orphanage (the Sponsor) commencing June 23, 2010. Sponsorship fees are calculated as 3% of the fiscal year 2016 Foundation payments received by the Academy from the State of Ohio. The total amount due from the Academy for fiscal year 2016 was \$22,529, all of which was paid as of June 30, 2016. Sponsorship fees are recorded as St. Aloysius Orphanage within the purchased services expense on the Statement of Revenues, Expenses, and Changes in Net Position.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS)			
Academy's proportion of the net pension liability (asset)	0.00000000%	0.00368372%	0.00368372%
Academy's proportionate share of the net pension liability (asset)	\$ 0	\$ 896,008	\$ 1,067,319
Academy's covered-employee payroll	\$ 232,107	\$ 381,692	\$ 373,692
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	234.75%	285.61%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)			
Academy's proportion of the net pension liability (asset)	0.00000000%	0.00296600%	0.00296600%
Academy's proportionate share of the net pension liability (asset)	\$ 0	\$ 150,108	\$ 176,379
Academy's covered-employee payroll	\$ 45,068	\$ 76,696	\$ 84,581
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	195.72%	208.53%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.
The Academy closed at the end of FY2016 and applied GASB 69, resulting in a Special Item to remove the pension liability for the period ending June 30, 2016.

C.M.GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Eight Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
State Teachers Retirement System (STRS)								
Contractually Required Contribution	\$ 33,720	\$ 32,495	\$ 49,620	\$ 48,580	\$ 61,208	\$ 47,570	\$ 34,239	\$ 18,433
Contributions in Relation to the Contractually Required Contribution	<u>(33,720)</u>	<u>(32,495)</u>	<u>(49,620)</u>	<u>(48,580)</u>	<u>(61,208)</u>	<u>(47,570)</u>	<u>(34,239)</u>	<u>(18,433)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 240,857	\$ 232,107	\$ 381,692	\$ 373,692	\$ 470,831	\$ 365,923	\$ 263,377	\$ 141,792
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)								
Contractually required contribution	\$ 8,471	\$ 5,940	\$ 10,630	\$ 11,706	\$ 18,191	\$ 19,582	\$ 15,412	\$ 2,761
Contributions in relation to the contractually required contribution	<u>(8,471)</u>	<u>(5,940)</u>	<u>(10,630)</u>	<u>(11,706)</u>	<u>(18,191)</u>	<u>(19,582)</u>	<u>(15,412)</u>	<u>(2,761)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 60,507	\$ 45,068	\$ 76,696	\$ 84,581	\$ 135,249	\$ 155,784	\$ 113,826	\$ 28,059
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

(1) This report typically presents ten years of activity. The Academy began operations in 2009.

C.M. GRANT LEADERSHIP ACADEMY
Franklin County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

February 28, 2017

To the Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2440 Dawnlight Avenue
Columbus, OH 43211

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*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the C.M. Grant Leadership Academy, Franklin County, Ohio (the “Academy”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated February 28, 2017, in which we noted the Academy recognized a special item due to the application of GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*.

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.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio

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Dave Yost • Auditor of State

C.M GRANT LEADERSHIP ACADEMY

FRANKLIN 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
MAY 23, 2017**