



Dave Yost • Auditor of State

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

A+ Children's Academy
Franklin County
100 Obetz Road
Columbus, Ohio 43207

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of A+ Children's Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the A+ Children's Academy, Franklin County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Academy has suffered losses from operations and has a net asset deficiency of \$41,265. Note 13 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2014

A+ Children's Academy
Franklin County, Ohio
Managements Discussion and Analysis
For the Year Ended June 30, 2013
(unaudited)

The discussion and analysis of A+ Children's Academy (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2013. 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 statement and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- Fiscal year 2013 was the first year for the Academy and we were able to provide service to 77 students, which have increased to over 103 as of November 2013.
- Total net position of the Academy was (\$41,265) resulting in the need to obtain a short term note to fund initial cash flow.
- Although the Academy received a total of \$124,678 from the note payable during the year, they repaid \$68,923 by the end of the fiscal year.
- The Academy received \$544,368 from state grants and foundation payments during the fiscal year.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statement. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net position

The statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and 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 account all revenues and expenses during the year, regardless of when the cash is received or paid.

A+ Children’s Academy
Franklin County, Ohio
Managements Discussion and Analysis
For the Year Ended June 30, 2013
(unaudited)

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 building 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 for fiscal year 2013

| | <u>2013</u> |
|--------------------------|--------------------------|
| Assets | |
| Current and other assets | <u>\$33,730</u> |
| Liabilities | |
| Current Liabilities | <u>74,995</u> |
| Net Position | |
| Unrestricted | <u><u>(\$41,265)</u></u> |

This fiscal year was the Academy’s first year; therefore, there are no comparative financial statements. The Academy has seen the FTE counts increase for fiscal year 2014 and has entered into the federal grant programs. Both of these activities should help increase the cash balance for the Academy in the next fiscal year.

The majority of the current liabilities related to the note payable and respective accrued interest on that note. The Academy’s net position is currently in a deficit position from the recognition of liabilities and mainly the note payable.

A+ Children's Academy
Franklin County, Ohio
 Managements Discussion and Analysis
 For the Year Ended June 30, 2013
 (unaudited)

Table 2 shows the changes in net position for fiscal year 2013

TABLE 2
CHANGE IN NET POSITION

| | 2013 |
|---------------------------------|------------|
| Operating Revenues: | |
| Foundation payments | \$538,381 |
| Other operating revenues | 2,951 |
| Non Operating Revenues | |
| State and federal grants | 31,271 |
| Total Revenue | 572,603 |
| | |
| Operating Expenses: | |
| Salaries | 222,039 |
| Fringe Benefits | 40,953 |
| Purchased Services | 190,080 |
| Materials and Supplies | 125,720 |
| Other Expenses | 30,738 |
| Interest and Fiscal Charges | 4,338 |
| Total Expenses | 613,868 |
| | |
| Changes in net position | (41,265) |
| | |
| Net position, beginning of year | 0 |
| Net position, end of year | (\$41,265) |

The majority of the Academy's revenue comes from the state foundation payments (94%). The foundation revenue is expected to increase over 35% in fiscal year 2014 with the higher FTE counts.

Total expenses for the fiscal year exceeded the revenue for the Academy. This resulted in the Academy's need for the note payable to help cover cash flow needs. The Academy has minimal staff and will work to increase that as the funding levels rise. The salaries and benefits only make up 43% of the total expenses which is significantly below the averages seen at other schools.

A+ Children's Academy
Franklin County, Ohio
Managements Discussion and Analysis
For the Year Ended June 30, 2013
(unaudited)

Capital Assets

At June 30, 2013, the Academy had no capital assets.

Debt

At June 30, 2013, the Academy had an outstanding note payable totaling \$55,755. See note 11 to the financial statements for additional information on the Academy's debt.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the A+ Children's Academy 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: A+ Children's Academy Community School, 100 Obetz Road, Columbus, Ohio 43207, (614) 491-8502 or info@apluschildrensacademy.org.

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION**

AS OF JUNE 30, 2013

Assets:

Current assets:

| | |
|------------------------------|--------------|
| Cash and cash equivalents | \$ 31,457 |
| Accounts receivable | 286 |
| Intergovernmental receivable | <u>1,987</u> |

Total Assets 33,730

Liabilities:

Current liabilities

| | |
|------------------------------------|---------------|
| Accounts payable | 4,555 |
| Accrued wages and benefits payable | 3,685 |
| Intergovernmental payable | 6,662 |
| Accrued interest payable | 4,338 |
| Note payable | <u>55,755</u> |

Total Liabilities 74,995

Net Position:

Unrestricted (41,265)

Total Net Position \$ (41,265)

See accompanying notes to the basic financial statements

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2013

| | |
|--|---------------------------|
| Operating Revenues: | |
| Foundation payments | \$ 513,722 |
| Special Education | 24,659 |
| Classroom fees | 1,319 |
| Other operating revenues | <u>1,632</u> |
| Total operating revenues | <u>541,332</u> |
| Operating Expenses: | |
| Salaries | 222,039 |
| Fringe benefits | 40,953 |
| Purchased services | 190,080 |
| Materials and supplies | 125,720 |
| Other operating expenses | <u>30,738</u> |
| Total operating expenses | <u>609,530</u> |
| Operating Loss | <u>(68,198)</u> |
| Non-Operating Revenues and Expenses: | |
| Federal grants | 25,284 |
| State grants | 5,987 |
| Interest and fiscal charges | <u>(4,338)</u> |
| Total non-operating revenues and expenses | <u>26,933</u> |
| Change in net position | (41,265) |
| Net position at beginning of year | - |
| Net position at end of year | <u><u>\$ (41,265)</u></u> |

See accompanying notes to the basic financial statements

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2013

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

| | |
|---|-----------------|
| Cash received from State of Ohio - Foundation | \$ 538,381 |
| Cash received from classroom materials and fees | 1,319 |
| Cash received from other operating revenues | 1,632 |
| Cash payments for personal services | (252,645) |
| Cash payments for contract services | (186,682) |
| Cash payments for supplies and materials | (124,849) |
| Cash payments for other expenses | <u>(30,738)</u> |
| Net cash used for operating activities | <u>(53,582)</u> |

Cash flows from noncapital financing activities:

| | |
|--|----------------|
| Proceeds from notes payable | 124,678 |
| Cash received from state and federal grants | <u>29,284</u> |
| Net cash provided by noncapital financing activities | <u>153,962</u> |

Cash flows from capital and related financing activities:

| | |
|---|-----------------|
| Principal paid on debt obligations | <u>(68,923)</u> |
| Net cash used by capital and related financing activities | <u>(68,923)</u> |

| | |
|--|----------------------|
| Net change in cash and cash equivalents | 31,457 |
| Cash and Cash Equivalents at beginning of year | - |
| Cash and Cash Equivalents at end of year | <u><u>31,457</u></u> |

Reconciliation of operating loss to net cash used for operating activities:

| | |
|---|--------------|
| Operating loss | (68,198) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (286) |
| Increase in accounts payable | 4,555 |
| Increase in accrued wages and benefits | 3,685 |
| Increase in intergovernmental payable | <u>6,662</u> |

| | |
|--|---------------------------|
| Net cash used for operating activities | <u><u>\$ (53,582)</u></u> |
|--|---------------------------|

See accompanying notes to the basic financial statements

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A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

1. DESCRIPTION OF THE REPORTING ENTITY

A+ Children's Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702, to address the needs of students in grades nine through twelve who have been impacted by substance abuse. The Academy qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code. The Academy's mission is to cultivate a passion for learning through an engaging standards-based integrated curriculum that addresses students' social, emotional, academic, and cognitive needs. Academy students will be excited about learning, prepared for learning, and supported in their learning. 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 contract with the Office of School Sponsorship maintained through the Ohio Department of Education for a period of five years commencing July 1, 2012. The contract expires on June 30, 2017.

The Academy operates under the direction of a five member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards and qualifications of teachers. The Academy's Superintendent serves as a non-voting member of the Board.

The Board hires the Superintendent, who hires all the other staff, and manages the day-to-day operations of the Academy. The Board controls the Academy's one instructional/support facility staffed by 4 non-certified and 8 certified full time teaching personnel who provide services to 77 students (FTE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy's financial statements 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+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus and Basis of Accounting

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

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 Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any capital assets.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|---------------------------|------------------------|
| Building and Improvements | 30 |
| Furniture and Equipment | 5 |

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

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.

Amounts awarded under grants and entitlements for the year ended June 30, 2013 totaled \$569,652.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets (the Academy had none). Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments (the Academy has none). The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Estimates

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

I. Operating Revenues and Expenses

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

3. DEPOSITS

At June 30, 2013, the carrying amount of the Academy's deposits was \$31,457 and the bank balance was \$94,833. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

4. RECEIVABLES

Receivables at June 30, 2013, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

| Intergovernmental | Amount |
|------------------------|---------|
| Casino Shared Revenues | \$1,987 |

5. 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. For the year ended 2013, the Academy contracted Coverage provided by Philadelphia Insurance Company includes the following with a \$1,000 deductible in total:

| | |
|----------------------------------|-------------|
| General Liability: | |
| Per occurrence | \$1,000,000 |
| Personal Injury | 1,000,000 |
| Total per year | 2,000,000 |
| Rented to You | 100,000 |
| Medical expense (per person) | 5,000 |
| Business Personal Property | 100,000 |
| Educators Professional Liability | 1,000,000 |
| Employee Benefits | 1,000,000 |
| Errors and Omissions | 1,000,000 |
| Vicarious Liability | 1,000,000 |

B. Worker's 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.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Academy Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contribution to SERS for the year ended June 30, 2013 was \$12,607 respectively; 99.7 percent has been contributed for fiscal year 2013.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public Schools of Ohio or any Academy, community Academy, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

6. DEFINED BENEFIT PENSION PLANS (continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DCI Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) live years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

6. DEFINED BENEFIT PENSION PLANS (continued)

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013 was \$16,354; 97.3 percent has been contributed for fiscal year 2013.

7. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

7. POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525.

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.

The Academy's contribution for health care for the fiscal year ended June 30, 2013, was \$154; 99.7 percent has been contributed for fiscal year 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contribution for Medicare Part B for the fiscal year ended June 30, 2013 \$712, 99.7 percent has been contributed for fiscal year 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal year ended June 30, 2013 \$1,258; 97.3 percent has been contributed for fiscal year 2013.

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

8. OTHER EMPLOYEE BENEFITS

All staff is entitled to three days of sick leave for duration of their respective contracts. Other benefits may be available per each contract and changed or eliminated by the Academy at its sole discretion.

9. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2013.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

10. PURCHASED SERVICES

For the period July 1, 2012 through June 30, 2013, purchased service expenses were payments for services rendered by various vendors, as follows:

| | |
|-------------------------------------|-------------------------|
| Professional and Technical Services | \$78,470 |
| Food Service | 36,283 |
| Communications | 54,769 |
| Property Services | 20,558 |
| Total Purchased | <u><u>\$190,080</u></u> |

A+ CHILDREN'S ACADEMY
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

11. NOTES PAYABLE

The changes in the Academy's note obligations during the year consist of the following:

| | Obligation Outstanding 7/01/12 | Additions | Reductions | Obligation Outstanding 6/30/13 | Amounts Due in One Year |
|--------------|--------------------------------------|-----------|------------|--------------------------------------|-------------------------------|
| Note Payable | \$0 | \$124,678 | \$68,923 | \$55,755 | \$55,755 |

The Academy entered into a promissory note with Ron and Barb Sams, owners of the Academy's Management Company, to help with initial cash flow needs of the Academy. The note accrues interest at a five percent rate with the first payment starting in January 2013. The note is amortized over a 120 month period but there is no set payment schedule and the note has a provision it could be called immediately; therefore, the obligation is reported as a current liability.

12. MANAGEMENT COMPANY – SCIOTO ACADEMIC MANGEMENT SERVICES, LLC

The Academy entered into a contract with Scioto Academic Management Services, LLC (Scioto) to provide management services to manage the business and overall operation of the Academy. For fiscal year 2013, the Academy paid \$40,000 in rental payment to Scioto for use of the facility. The contract has a provision for the Academy to pay twenty percent of foundation revenues for management services. There were no payments under that provision during fiscal year 2013. The contract terms are good for two years from September 1, 2012.

13. MANAGEMENT PLAN

The Academy is committed to improving their fund balance during fiscal years 2014 and 2015. First, the Academy will utilize all Comprehensive Continuous Improvement Planning (CCIP) dollars as effectively as possible. For fiscal year 2014, the Academy received \$64,091 in actual CCIP grant revenue and was able to carryover \$52,159 into fiscal year 2015. The allocation for fiscal year is \$148,261. The Academy also increased the FTE counts from 77.83 in fiscal year 2013 to 106.55 in fiscal year 2014 and currently 129.02 in fiscal year 2015. Finally, the Academy will operate as efficiently as possible and continue to be very prudent with the expenditures.

14. SUBSEQUENT EVENTS

For fiscal year 2014, the Academy was awarded \$119,985 of federal awards from the CCIP. This amount was decreased to \$96,102 for fiscal year 2015. As of September 30, 2014, the Academy's management company has forgiven any outstanding loans provided between May 1, 2012 and January 1, 2014.

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Dave Yost • Auditor of State

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

A+ Children's Academy
Franklin County
100 Obetz Road
Columbus, Ohio 43207

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the A+ Children's Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 15, 2014; wherein we noted the Academy is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

Entity's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2014

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013**

FINDING NUMBER 2013-001

Financial Statement Reporting- Material Weakness

Sound financial reporting is the responsibility of the Treasurer and members of the Board of Directors and is essential to help ensure information provided to readers of the financial statements is complete and accurate.

The following adjustments were posted to the financial statements and, where applicable, the accounting records, for the year ended June 30, 2013:

- To reclassify \$24,284 of revenues as non-operating federal grants from operating charges for services revenues.
- To reduce loan proceeds by \$30,003 to agree with loan confirmations obtained from the Management Company.
- To record \$6,093 of intergovernmental payable for outstanding balances owed to SERS.
- To reduce intergovernmental receivable by \$2,329 to correct overstatement.

The following variance was identified during the audit; however, was immaterial and not adjusted on the financial statements or the accounting records:

- To reclassify \$1,632 of casino revenues as non-operating receipts.

Although the Academy has implemented various controls over financial reporting, the need to propose audit adjustments suggest controls may not be effective or operating as management intended.

We recommend the Treasurer and members of the Board of Directors review the financial statements as prepared in accordance with Generally Accepted Accounting Principles to help ensure controls function as intended allowing any misstatements to be detected and corrected in future reports.

Official's Response:

Going forward, a more thorough review of the financial statements will be performed prior to submission for audit to prevent the need for audit adjustments in the future.

FINDING NUMBER 2013-002

Purchases- Significant Deficiency

The Academy has a complex financial accounting structure. They contract with DCW Financial Services to maintain their accounting records, perform bank reconciliations and provide a licensed School Treasurer to the Academy. When a purchase is required, a requisition is completed and sent to DCW Financial Services to be compared to the budget. If adequate funds are available, the requisition is approved and the purchase is completed by the employees of the Academy. When the product or service is received, an employee verifies the purchase is substantially complete before the invoice is approved for payment. Invoices are provided to the Academy's Board Treasurer (the Academy's authorized signatory), who manually prepares and signs a check for payment. Invoices are maintained by Academy administration at the Academy, filed by check number. Copies of the written checks are sent to DCW Financial Services to be input into the Academy's electronic accounting system after the checks are written and sent out for payment.

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013
(Continued)**

FINDING NUMBER 2013-002 (Continued)

Purchases- Significant Deficiency (Continued)

Maintaining such a complex financial accounting structure where responsible individuals do not work in a close environment to effectively monitor the Academy's receipts and expenditures, the Academy is at risk of having expenditures not properly recorded and documentation mis-filed and/or lost. We identified 29 checks which were not recorded individually in the accounting system of which some were recorded in batch amounts. We also noted a purchase was made prior to a requisition being prepared and approval of available funding was received. The Treasurer performs monitoring after payments have been issued; giving the Treasurer no ability to question expenses or perform Treasurer responsibilities.

Failure to follow the requisition process, verify purchases or services have been completed or failure to properly record the Academy's financial activity could cause errors in financial statements, negative net position, or the Academy to pay for items or services the Academy did not actually receive.

We recommend the Academy review their financial accounting structure to help ensure their intended financial controls are in place and operating effectively. We also recommend a supervisor approve a purchase of goods or services for payment by stamping the invoice "OK to pay" and initialing the invoice prior to actual payments. The Academy's Treasurer should be approving expenditures prior to the issuance of checks. Evidence of these approvals should be maintained by the Academy in an organized manner so records may be easily reviewed upon request.

Official's Response:

SAMS, Inc. has recommended school administration enhance the current procedures in place for purchases made to ensure financial controls are in place and operating effectively. These procedures will be reviewed and given final approval by the board during the February 10, 2015 board meeting.

FINDING NUMBER 2013-003

Maintaining Proper Records - Noncompliance

Ohio Revised Code § 149.351 provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.

We noted three instances where records were not properly maintained by the Academy:

- Invoices of two expenditures were not readily maintained to support checks issued to vendors.
- Academy book purchases from McGraw Hill were comingled with book purchases made by their Management Company's other organization (not affiliated with the Academy). Since these invoices were combined with another organization's expenditures, the Academy's financial activity was difficult to reconcile.
- The Academy did not maintain Board approvals of employee salary and hourly pay rates. These amounts were also not maintained within Board minutes.

**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013
(Continued)**

FINDING NUMBER 2013-003 (Continued)

Maintaining Proper Records – Noncompliance (Continued)

We were able to perform alternative procedures to determine these transactions were for proper public purpose and expenditures were reasonable. These expenditures were subjected to the same control deficiencies as discussed in finding 002.

Failure to maintain adequate support for expenditures could result in expenditures that are not for a proper public purpose and errors to occur within the financial statements.

We recommend the Academy maintain supporting documentation for all expenditures. When the Academy utilizes the same vendor as other businesses owned by their management company, the Academy should request expenditures be clearly identified between the organizations and/or request separate invoices. Also, Board approval of all expenditures regarding employee pay rates should be maintained in each employee's personnel file and/or documented in the minutes.

Official's Response:

Management understands the importance of maintaining supporting documentation for all expenditures. Invoices are maintained by school administration in vendor name and check order. The items noted above not being readily available appear to be isolated incidences. School administration will enhance the current process to ensure supporting documentation for all expenditures is maintained.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

A+ Children's Academy
Franklin County
100 Obetz Road
Columbus, Ohio 43207

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether A+ Children's Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy on September 29, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
 - (2) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (3) A requirement that the School administration semiannually provide the president of the School board a written summary of all reported incidents and post the summary on its web site, if the School has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2014



Dave Yost • Auditor of State

A+ CHILDREN 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
FEBRUARY 12, 2015**