



Dave Yost • Auditor of State

OAK LEADERSHIP INSTITUTE
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Statement of Net Position	7
Statement of Revenues, Expenses and Change in Net Position.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	25

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

OAK Leadership Institute
Cuyahoga County
8610 Hough Avenue
Cleveland, Ohio 44106

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the OAK Leadership Institute, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 OAK Leadership Institute, Cuyahoga County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 January 29, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015

OAK Leadership Institute
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

As management of the OAK Leadership Institute (the School), formerly Dow Leadership Institute, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$276,613 (net position), an increase of \$9,825 in comparison with the prior fiscal year.
- The School's total assets increased by \$106 during the fiscal year, while total liabilities decreased by \$9,719.
- The School's operating loss for fiscal year 2014 was \$144,816 compared with operating income of \$46,359 reported for the prior year.

Using this Annual Financial Report

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

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

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

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

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

OAK Leadership Institute
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position for 2014 and 2013:

Table 1
Net Position at Year End

	<u>2014</u>	<u>2013</u>
Assets:		
Current and Other Assets	\$ 178,421	\$ 284,387
Capital Assets, Net	<u>164,875</u>	<u>58,803</u>
Total Assets	<u>343,296</u>	<u>343,190</u>
Liabilities:		
Current Liabilities	64,007	60,769
Noncurrent Liabilities	<u>2,676</u>	<u>15,633</u>
Total Liabilities	<u>66,683</u>	<u>76,402</u>
Net Position:		
Net Invested in Capital Assets	142,942	31,174
Restricted	43,262	49,828
Unrestricted	<u>90,409</u>	<u>185,786</u>
Total Net Position	<u>\$ 276,613</u>	<u>\$ 266,788</u>

Current and Other Assets decreased significantly in comparison with the prior fiscal year-end. The key component of this decrease is a decrease in cash and cash equivalents of as a result of capital improvements made during the fiscal year.

Capital Assets, Net and Net Investment in Capital Assets both increased significantly in comparison with the prior fiscal year-end. These increases are the result of capital improvements made during the fiscal year.

Total Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is the result of principal payments on outstanding capital leases.

The Total Net Position reported for fiscal year 2014 improved by \$9,825. Table 2 on the following page demonstrates the details of this increase.

OAK Leadership Institute
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for 2014 and 2013:

Table 2
Changes in Net Position

	2014	2013
Operating Revenues:		
Foundation Revenues	\$ 634,314	\$ 749,262
Other Revenues	-	36,269
Total Operating Revenues	<u>634,314</u>	<u>785,531</u>
Operating Expenses:		
Salaries and Wages	312,376	296,993
Fringe Benefits	61,082	86,140
Purchased Services	339,985	255,712
Materials and Supplies	35,602	78,014
Depreciation	11,131	3,066
Other	18,954	19,247
Total Operating Expenses	<u>779,130</u>	<u>739,172</u>
Operating Income (Loss)	<u>(144,816)</u>	<u>46,359</u>
Nonoperating Revenues (Expenses)		
Federal Grants	135,696	210,410
State Grants	5,733	3,098
Contributions	13,396	14,331
Other	-	171
Interest Expense	(184)	(242)
Total Nonoperating Revenues (Expenses)	<u>154,641</u>	<u>227,768</u>
Change in Net Position	9,825	274,127
Net Position, Beginning of Year	266,788	(7,339)
Net Position, End of the Year	<u>\$ 276,613</u>	<u>\$ 266,788</u>

Foundation Revenues and Federal Grants both decreased significantly in comparison with fiscal year 2013. This decrease is a result of a similar decrease in student enrollment.

OAK Leadership Institute
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Capital Assets

At fiscal year-end, the School's net capital asset balance was \$164,875, an increase of \$106,072 in comparison with the prior fiscal year-end. This increase represents the amount in which current year additions of \$117,203 exceeded current year depreciation of \$11,131. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At fiscal year-end, the School's long-term capital lease obligation balance was \$21,933, a decrease of \$5,696 in comparison with the prior fiscal year. This decrease represents current year principal payments. For more information on capital leases, see Note 12 to the basic financial statements.

Current Financial Issues

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

Contacting the School

This financial report is designed to provide a general overview of the finances of the OAK Leadership Institute and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of OAK Leadership Institute, 8610 Hough Ave, Cleveland, OH 44106.

**OAK LEADERSHIP INSTITUTE
CUYAHOGA COUNTY**

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets:

Current Assets	
Cash and Cash Equivalents	\$ 165,369
Intergovernmental Receivables	9,923
Prepaid Items	<u>3,129</u>
Total Current Assets	<u>178,421</u>
 Noncurrent Assets	
Nondepreciable Capital Assets	1,000
Depreciable Capital Assets, Net	<u>163,875</u>
Total Noncurrent Assets	<u>164,875</u>
 Total Assets	<u><u>\$ 343,296</u></u>

Liabilities:

Current Liabilities	
Accounts Payable	\$ 8,466
Accrued Wages Payable	28,098
Intergovernmental Payable	8,186
Capital Lease Payable	<u>19,257</u>
Total Current Liabilities	<u>64,007</u>
 Noncurrent Liabilities:	
Capital Lease Payable	<u>2,676</u>
Total Noncurrent Liabilities	<u>2,676</u>
 Total Liabilities	<u><u>66,683</u></u>

Net Position:

Net Investment in Capital Assets	142,942
Restricted	43,262
Unrestricted	<u>90,409</u>
Total Net Position	<u>276,613</u>
 Total Liabilities and Net Position	<u><u>\$ 343,296</u></u>

See accompanying notes to the basic financial statements.

**OAK LEADERSHIP INSTITUTE
CUYAHOGA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Foundation Revenue	\$ 634,314
Total Operating Revenues	<u>634,314</u>
Operating Expenses:	
Salaries	312,376
Fringe Benefits	61,082
Purchased Services	339,985
Materials and Supplies	35,602
Depreciation	11,131
Other	18,954
Total Operating Expenses	<u>779,130</u>
Operating Loss	<u>(144,816)</u>
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	135,696
State Grant Revenue	5,733
Contributions	13,396
Interest Expense	(184)
Total Non-Operating Revenues (Expenses)	<u>154,641</u>
Change in Net Position	9,825
Net Position Beginning of Year	<u>266,788</u>
Net Position End of Year	<u>\$ 276,613</u>

See accompanying notes to the basic financial statements.

**OAK LEADERSHIP INSTITUTE
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$ 634,314
Cash Payments to Employees for Services and Benefits	(382,613)
Cash Payments to Suppliers for Goods and Services	(382,529)
Other Operating Expenses	<u>(1,715)</u>
Net Cash Used for Operating Activities	<u>(132,543)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	158,750
Cash Received from Contributions	<u>13,396</u>
Net Cash Provided by Noncapital Financing Activities	<u>172,146</u>
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(120,157)
Cash Payments for Capital Lease Principal	(5,696)
Cash Payments for Capital Lease Interest	<u>(184)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(126,037)</u>
Net Increase in Cash and Cash Equivalents	(86,434)
Cash and Cash Equivalents at Beginning of Year	<u>251,803</u>
Cash and Cash Equivalents at End of Year	<u>\$ 165,369</u>

See accompanying notes to the basic financial statements.

**OAK LEADERSHIP INSTITUTE
CUYAHOGA COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reconciliation of Operating Loss to Net Cash Used for
Operating Activities:

Operating Loss	\$ (144,816)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	11,131
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(469)
Prepaid Items	2,680
Accounts Payable	8,466
Accrued Wages	(2,221)
Intergovernmental Payable	(7,314)
Net Cash Used for Operating Activities	<u><u>\$ (132,543)</u></u>

See accompanying notes to the basic financial statements.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

1. Description of the School and Reporting Entity:

OAK Leadership Institute (the School), formerly Dow Leadership Institute, is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through twelfth grade through customizing learning for each child. The School, which is part of the State's education program, is independent of any school district and is non-sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2014 fiscal year, Mangen & Associates School Resource Center. The Richland Academy was the School's sponsor in fiscal year 2014. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The 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 Board controls the School's instructional/support facility staffed by 6 non-certified and 7 certificated full time teaching personnel who provide services to 79 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 10.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School 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 and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

2. Summary of Significant Accounting Policies (Continued):

All reported capital assets, except land, are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Land Improvements	5 years
Building Improvements	25 years
Furniture, Fixtures, and Equipment	5 years

F. Estimates

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

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The foundation funding and casino revenue are both recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

2. Summary of Significant Accounting Policies (Continued):

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2014 contract.

Accounts payable – payments due for services or goods that were rendered or received during fiscal year 2014.

Intergovernmental payable - payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School had no deferred inflows of resources as of fiscal year end.

K. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets, consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

OAK LEADERSHIP INSTITUTE
 Cuyahoga County
 Notes to the Basic Financial Statements
 For The Fiscal Year Ended June 30, 2014

2. Summary of Significant Accounting Policies (Continued):

M. Economic Dependency

During the fiscal year, the School received nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits:

At June 30, 2014, the carrying amount of the School's deposits was \$165,369 and the bank balance was \$180,120. The entire bank balance was insured by the Federal Deposit Insurance Corporation (FDIC).

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Intergovernmental receivables at fiscal year-end represent federal grants, of \$7,220, and pension overpayments, of \$2,703, totaling \$9,923.

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Depreciable Capital Assets				
Land Improvements	-	23,360	-	23,360
Building Improvements	49,054	63,486	-	112,540
Furniture and Equipment	12,636	30,357	-	42,993
Total Depreciable Capital Assets	<u>61,690</u>	<u>117,203</u>	<u>-</u>	<u>178,893</u>
Accumulated Depreciation:				
Land Improvements	-	(2,336)	-	(2,336)
Building Improvements	(1,405)	(3,232)	-	(4,637)
Furniture and Equipment	(2,482)	(5,563)	-	(8,045)
Total Accumulated Depreciation	<u>(3,887)</u>	<u>(11,131)</u>	<u>-</u>	<u>(15,018)</u>
Depreciable Capital Assets, Net	<u>\$ 57,803</u>	<u>\$ 106,072</u>	<u>\$ -</u>	<u>\$ 163,875</u>

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

6. Risk Management:

- A. Property and Liability - The School 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 June 30, 2014, the School contracted with Ralph P. Sills Insurance Agency for its insurance coverage as follows:

General Liability (aggregate)	\$2,000,000
Each Occurrence Limit	\$1,000,000
Personal/Advertising Limit	\$1,000,000
Damage to Rented Premises	\$100,000
Medical Expense Limit	\$5,000

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceed coverage amounts during the past three fiscal years.

- B. Workers' Compensation - The School 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 determined by the State.
- C. Employee Insurance Benefits - The School utilizes Superior Dental and Anthem to provide dental, health, life, accidental death and dismemberment insurance benefits to School employees.

This space intentionally left blank.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School 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, 2014, 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 School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,885, \$9,993 and \$3,740, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 80% of the required amount. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

7. 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 DC 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) five 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, a 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.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

7. 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 retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2014, 2013 and 2012 were \$28,129, \$28,692 and \$18,893, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 80% of the required amount. The unpaid contribution has been recorded as a liability.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

8. Post-employment Benefits:

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The School's required contributions for the years ended June 30, 2014, 2013 and 2012 were \$864, \$565 and \$221, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 80% of the required amount. The unpaid contribution has been recorded as a liability.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

8. Post-employment Benefits (continued):

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,129, \$1,463 and \$718, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 80% of the required amount. The unpaid contribution has been recorded as a liability.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,164, \$2,207 and \$1,453, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 80% of the required amount. The unpaid contribution has been recorded as a liability.

OAK LEADERSHIP INSTITUTE
Cuyahoga County
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

9. Contingencies:

A. Grants

The School 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. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Full-Time Equivalency Reviews

The Ohio Department of Education reviews enrollment and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2013-2014 school year; however, the conclusion of this review did not have a material effect on the financial statements.

10. Contracted Fiscal Services

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

The total amount paid for these services during fiscal year 2014 was \$75,000.

OAK LEADERSHIP INSTITUTE
 Cuyahoga County
 Notes to the Basic Financial Statements
 For The Fiscal Year Ended June 30, 2014

11. Purchased Services:

During the fiscal year, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 237,333
Garbage Removal	948
Advertising	559
Repairs	948
Professional/Legal Services	16,371
Rentals	3,959
Security Services	13,233
Travel/Meeting	953
Postage	688
Utilities	17,618
Contracted Food Services	47,375
Total	<u><u>\$ 339,985</u></u>

12. Capital Leases:

On September 12, 2011, the School entered into a capital lease agreement for a copier and related equipment. The agreement requires 60 monthly lease payments of \$115, which covers the cost of the equipment and installation. At fiscal year-end, the carrying amount of the copier was \$3,047.

On August 1, 2012, the School entered into a capital lease agreement for three mobile units. The agreement required two upfront payments of \$7,500 and \$2,000 and 30 monthly lease payments of \$900, which covers the cost of the equipment and installation. At fiscal year-end, the carrying amount of the three mobile units was \$34,310.

Changes in the School's capital lease obligation during the fiscal year were as follows:

	Beginning Balance	Additions	Principal Payments	Ending Balance	Due in One Year
Copier	\$ 4,229	\$ -	\$ (1,196)	\$ 3,033	\$ 1,257
Mobile Units	23,400	-	(4,500)	18,900	18,000
Total	<u><u>\$ 27,629</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,696)</u></u>	<u><u>\$ 21,933</u></u>	<u><u>\$ 19,257</u></u>

OAK LEADERSHIP INSTITUTE
 Cuyahoga County
 Notes to the Basic Financial Statements
 For The Fiscal Year Ended June 30, 2014

12. Capital Leases (continued):

Future principal and interest requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 19,257	\$ 123	\$ 19,380
2016	2,221	59	2,280
2017	455	5	460
	<u>\$ 21,933</u>	<u>\$ 187</u>	<u>\$ 22,120</u>

13. Change in Accounting Principle:

For fiscal year 2014, the School has implemented the following:

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School.



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

OAK Leadership Institute
Cuyahoga County
8610 Hough Avenue
Cleveland, Ohio 44106

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 OAK Leadership Institute, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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 School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015



Dave Yost • Auditor of State

OAK LEADERSHIP INSTITUTE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2015**