



Dave Yost • Auditor of State



**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Global Ambassadors Language Academy  
Cuyahoga County  
13442 Lorain Avenue  
Cleveland, Ohio 44111

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Global Ambassadors Language Academy, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Global Ambassadors Language Academy, Cuyahoga County as of June 30, 2017, 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* and schedules of pension contributions 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 February 7, 2018, 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

February 7, 2018

**Global Ambassadors Language Academy**  
Cuyahoga County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

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The management's discussion and analysis of the Global Ambassadors Language Academy (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

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

### **Financial Highlights**

Key financial highlights for the School are as follows:

- The liabilities of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$111,286 (negative net position).
- At fiscal year-end, the School's total assets and deferred outflows of resources were \$134,969 and total liabilities were \$246,255.
- The School was able to open without the aid of any state or federal start-up grants.

### **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 presentations information is the same.

#### *Statement of Net Position*

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

This statement reports the 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.

**Global Ambassadors Language Academy**  
 Cuyahoga County  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2017  
 (Unaudited)

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**Financial Analysis**

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

**Table 1**  
**Net Position**

	2017
Assets:	
Current Assets	\$ 43,812
Capital Assets, Net	32,059
Total Assets	75,871
Deferred Outflows of Resources-Pensions	59,098
Liabilities	
Current Liabilities	182,187
Long-Term Liabilities-Capital Lease Payable	4,568
Long-Term Liabilities-Loan Payable	59,500
Total Liabilities	246,255
Net Position:	
Net Investment in Capital Assets	23,837
Unrestricted	(135,123)
Total Net Position	\$ (111,286)

Fiscal year 2017 was the first year of operations. In future years, a comparative analysis will be presented.



**Global Ambassadors Language Academy**  
 Cuyahoga County  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2017  
 (Unaudited)

Table 2 provides a summary of the School's change in net position for fiscal year ended June 30, 2017.

**Table 2**  
**Changes in Net Position**

	2017
Operating Revenues:	
Foundation Revenues	\$ 430,605
Other Unrestricted Grants-In-Aid	12,643
Economic Disadvantaged Funding	38,800
Charges for Services	17,750
Miscellaneous Revenue	16,320
Total Operating Revenue	516,118
Operating Expenses:	
Salaries	422,130
Fringe Benefits	46,298
Purchased Services	370,437
Materials and Supplies	88,816
Depreciation	3,100
Other Operating Expenses	22,255
Total Operating Expenses	953,036
Non-Operating Revenues:	
Federal Grants	25,947
Donations	305,098
Interest Expense	(5,413)
Total Non-Operating Revenues	325,632
Change in Net Position	(111,286)
Net Position, Beginning of Year	-
Net Position, End of the Year	\$ (111,286)

Fiscal year 2017 was the first year of operations. In future years, a comparative analysis will be presented.

**Global Ambassadors Language Academy**  
Cuyahoga County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

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**Capital Assets**

At fiscal year-end, the School had \$32,059 invested in capital assets. This balance represents the amount in which current year capital acquisitions of \$35,159 exceeded current year depreciation of \$3,100. See Note 5 of the basic financial statements for additional details.

**Debt**

At fiscal year-end, the School's loans payable balance was \$167,500. This balance represents new loans totaling \$167,500. For more information on debt, see Note 6 to the basic financial statements.

**Contacting the School's Financial Management**

This financial report is designed to provide a general overview of the finances of the Global Ambassadors Language Academy 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 Global Language Academy, 13442 Lorain Avenue, Cleveland, OH 44111.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017

**Assets:**

Current Assets	
Cash and Cash Equivalents	\$ 9,730
Intergovernmental Receivable	20,316
Prepaid Items	13,766
Total Current Assets	<u>43,812</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	32,059
Total Noncurrent Assets	<u>32,059</u>
Total Assets	<u>75,871</u>

**Deferred Outflows of Resources:**

Pension	59,098
Total Deferred Outflows of Resources	<u>59,098</u>

**Liabilities:**

Current Liabilities	
Accounts Payable	43,302
Accrued Wages Payable	22,678
Intergovernmental Payable	4,553
Capital Lease Payable	3,654
Line of Credit Payable	108,000
Total Current Liabilities	<u>182,187</u>
Long-Term Liabilities:	
Capital Lease Payable	4,568
Line of Credit Payable	59,500
Total Noncurrent Liabilities	<u>64,068</u>
Total Liabilities	<u>246,255</u>

**Net Position:**

Net Investment in Capital Assets	23,837
Unrestricted	(135,123)
Total Net Position	<u>\$ (111,286)</u>

See accompanying notes to the basic financial statements.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating Revenues:</b>	
Foundation Payments	\$ 430,605
Other Unrestricted Grants	12,643
Economic Disadvantaged	38,800
Charges for Services	17,750
Miscellaneous Revenue	16,320
Total Operating Revenues	516,118
 <b>Operating Expenses:</b>	
Salaries	422,130
Fringe Benefits	46,298
Purchased Services	370,437
Materials and Supplies	88,816
Depreciation	3,100
Other	22,255
Total Operating Expenses	953,036
Operating Loss	(436,918)
 <b>Non-Operating Revenues (Expenses):</b>	
Federal subsidies	25,947
Donations	305,098
Interest expense	(5,413)
Total Non-Operating Revenues (Expenses)	325,632
Change in Net Position	(111,286)
Net Position, Beginning of Year	-
Net Position, End of Year	\$ (111,286)

See accompanying notes to the basic financial statements.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Cash Received from Foundation Payments	\$ 413,847
Cash Received from Other Unrestricted Grants	12,643
Cash Received from Economic Disadvantaged Funding	38,800
Cash Received from Charges for Services	17,750
Cash Payments for Personal Services	(503,853)
Cash Payments for Purchased Services	(362,220)
Cash Payments for Supplies and Materials	(64,474)
Cash Payments for Miscellaneous	(25,278)
Cash Received from Miscellaneous Revenues	16,320
<b>Net Cash Used for Operating Activities</b>	<b>(456,465)</b>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Subsidies	25,947
Cash Received from Line of Credit	167,500
Payments for Interest on Line of Credit	(5,413)
Cash Received from Donations	305,098
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>493,132</b>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(24,197)
Payments of Principal on Capital Debt	(2,740)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(26,937)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,730</b>
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<b>\$ 9,730</b>

See accompanying notes to the basic financial statements.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Operating Loss	\$ (436,918)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	3,100
Changes in Assets and Liabilities:	
Prepaid Items	(13,766)
Intergovernmental Receivable	(20,316)
Accounts Payable	43,302
Intergovernmental Payable	4,553
Accrued Wages	22,678
Net Pension Liability and Related Deferrals	(59,098)
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (456,465)</u></b>

**Schedule of Noncash Transactions:**

During the fiscal year, the School entered into a capital lease transaction totaling \$10,962.

See accompanying notes to the basic financial statements.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Global Ambassadors Language Academy (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the language immersion needs of students in grades kindergarten through first. The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school’s tax exempt status.

The University of Toledo is the School’s sponsor. 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 entered into a service agreement with Mangen1, LLC to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 14 for more information.

The School operates under the direction of a nine-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School’s one instructional/support facility by 3 non-certified and 7 certificated full time teaching personnel who provide services to 56 students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School 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 School’s accounting policies are described below.

**A. Basis of Presentation**

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

**B. 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 statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

**E. Capital Assets**

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

All reported capital assets except land are depreciated. Improvements 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:

Land Improvements	10 years
Building and Improvements	25 years
Furniture, Fixtures, and Equipment	3-5 years
Vehicles	5-7 years



**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond fiscal year-end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed.

**H. 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. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions. These deferred outflows of resources related to pensions are explained in Note 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources are reported on the statement of net position for pensions. This deferred inflow of resources related to pensions is explained in Note 10.

**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:

Accounts Payable – payments due for services or goods that were rendered or received during fiscal year 2017.

Accrued 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 2017 contract.

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. Compensated Absences**

Vacation and sick leave benefits are not carried forward to future fiscal years. The School does not pay sick leave benefits upon termination or retirement.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. 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, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. The School applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

**L. Operating Revenues and Expenses**

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

**M. 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 those estimates.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

**NOTE 3 – DEPOSITS**

At June 30, 2017, the carrying amount of the School's deposits was \$9,730 and the bank balance was \$14,869. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2017, consisted of intergovernmental receivables arising from pension system overpayments and foundation underpayments. All receivables are considered collectible in full.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 5 – CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Buildings and Improvement	\$ -	\$ 8,920	\$ -	\$ 8,920
Furniture, Fixtures, and Equipment	-	26,239	-	26,239
Total Depreciable Capital Assets	-	35,159	-	35,159
Less Accumulated Depreciation:				
Buildings and Improvement	-	(476)	-	(476)
Furniture, Fixtures, and Equipment	-	(2,624)	-	(2,624)
Total Accumulated Depreciation	-	(3,100)	-	(3,100)
Depreciable Capital Assets, Net	\$ -	\$ 32,059	\$ -	\$ 32,059

**NOTE 6 – LONG TERM OBLIGATIONS**

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Mangen Family Foundation	\$ -	\$ 167,500	\$ -	\$ 167,500	\$ 108,000

In July 2016, the School opened a line of credit for \$500,000 with the Mangen Family Foundation. During the year, the School received \$167,500. The loan carries an interest rate of 0.50 percent and matures June 30, 2019.

Debt-service-to-maturity requirements to retire the notes are as follows:

June 30	Principal	Interest	Total
2018	\$ 108,000	\$ 10,740	\$ 118,740
2019	59,500	8,910	68,410
Total	\$ 167,500	\$ 19,650	\$ 187,150

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 7 – CAPITAL LEASE**

The School has entered into a lease agreement with Wells Fargo for the lease of two copiers with accessories. The term of the lease was 36 months and commenced on October 2016, with required payments of \$305 per month. Lease payments during the fiscal year totaled \$2,740.

The following is a schedule of the future payments required under the capital lease as of June 30, 2017:

<u>Year Ended</u>	<u>Copiers</u>
June 30, 2018	\$ 3,654
June 30, 2019	3,654
June 30, 2020	914
Total	<u>\$ 8,222</u>

**NOTE 8 – OPERATING LEASE**

The School leases land and school facilities located at 13400 Lorain Avenue from St. Vincent de Paul Parish. The lease is for a term of seven years commencing on July 1, 2016 and ending on June 30, 2023. For fiscal year 2017, the lease agreement contained required payments of \$10,743 per month. Each year thereafter, on the anniversary of the commencement of the lease term, the annual rent will increase by 2%. Operating lease payments to Vincent de Paul Parish during the fiscal year totaled \$74,627.

The following is a schedule of the future payments required under the operating lease as of June 30, 2017:

<u>Year Ended</u>	<u>Capital Facilities</u>
June 30, 2018	\$ 153,994
June 30, 2019	156,624
June 30, 2020	136,806
June 30, 2021	139,542
June 30, 2022	142,333
June 30, 2023	145,180
Total	<u>\$ 874,479</u>

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 – RISK MANAGEMENT**

**A. Property and Liability Insurance**

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. During fiscal year 2017, the School contracted with Cincinnati Insurance Company and Allied World Surplus Lines Insurance Company for commercial property liability, employee dishonesty liability, school leader’s legal liability, cyber liability, general umbrella liability, and general liability.

Coverages are as follows:

Commercial Property (\$2,500 deductible)	\$ 250,000
Employee Dishonesty (\$1,000 deductible)	500,000
School Leader’s Legal Liability (\$5,000 deductible)	1,000,000
Cyber Liability (\$10,000 deductible)	250,000
Commercial Umbrella:	
Per occurrence	10,000,000
Total per year	10,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000

**B. Worker’s Compensation**

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

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The School reports a net pension liability on the statement of net position. The net pension liability represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

The Ohio Revised Code limits the Schools obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent and nothing was allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was \$22,680 for fiscal year 2017. The entire amount was paid during the fiscal year.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$36,418 for fiscal year 2017. Of this amount, \$1,527 is reported as an intergovernmental payable.



**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of Net Pension Liability	\$0	\$0	\$0
Proportion of the Net Pension Liability	0.0000000%	0.00000000%	
Pension Expense	\$0	\$0	\$0

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
School contributions subsequent to the measurement date	\$22,680	\$36,418	\$59,098
Total Deferred Outflows of Resources	\$22,680	\$36,418	\$59,098

\$59,098 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$0	\$0	\$0
2019	0	0	0
2020	0	0	0
2021	0	0	0
Total	\$0	\$0	\$0

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School's proportionate share of the net pension liability	\$0	\$0	\$0

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - STRS***

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

***Changes Between Measurement Date and Report Date*** In March 2017, the STRS Board adopted certain assumptions changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School’s net pension liability is expected to be significant.

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

The 10-year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$0	\$0	\$0

**NOTE 11 – POSTEMPLOYMENT 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 a postemployment benefit plan.

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

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

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 11 – POSTEMPLOYMENT 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 pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. School contributions assigned to health care for the year ended June 30, 2017 was \$694. For fiscal year 2017, the entire amount is reported as an intergovernmental payable.

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 on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School participates in the cost sharing multiple-employer defined benefit Health Plan (“the Plan”) administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS.

Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employee contributions. For fiscal year 2017, STRS did not allocate any employee contributions for post-employment health care.

The School's contractually required health care contributions to STRS for fiscal years 2017 was \$0.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 12 – EMPLOYEE BENEFITS**

*Insurance Benefits* - The School has purchased insurance from Medical Mutual and Aetna Life Insurance Company to provide employee medical, dental, life, and vision.

**NOTE 13 – PURCHASED SERVICES**

During the fiscal year ended June 30, 2017, purchased service expenses for services rendered by various vendors were as follows:

Instruction Services	\$ 295
Other Professional and Technical Services	265,984
Rent	64,273
Travel and Meeting Expense	2,296
Other Transportation	1,165
Utilities	2,239
Contracted Food Services	34,185
Total	<u>\$ 370,437</u>

**NOTE 14 – CONTRACTED FISCAL SERVICES**

The School is a party to a fiscal services agreement with Mangel (M1) Education Financial Services, 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/Accounting Services
3. CCIP Administration

The School made \$58,150 in payments for services during fiscal year 2017.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 15 - 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, 2017, 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. Foundation Funding**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017 and determined the School was underpaid by \$16,758. This amount is reported as intergovernmental receivable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.



**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2017, the School implemented *GASB Statement No. 77 “Tax Abatement Disclosures”* which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have a significant effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* which amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the School.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF SCHOOL CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST FISCAL YEAR (1)

	<u>2017</u>
Contractually Required Contribution	\$ 22,680
Contributions in relation to the contractually required contribution	\$ 22,680
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 162,001
Contributions as a percentage of covered-employee payroll	14.00%

(1) Fiscal year 2017 was the School's first year of operation.

**GLOBAL AMBASSADORS LANGUAGE ACADEMY  
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**SCHEDULE OF SCHOOL CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST FISCAL YEAR (1)

	<u>2017</u>
Contractually Required Contribution	\$ 36,418
Contributions in relation to the contractually required contribution	\$ 36,418
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 260,130
Contributions as a percentage of covered-employee payroll	14.00%

(1) Fiscal year 2017 was the School's first year of operation.



# 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

Global Ambassadors Language Academy  
Cuyahoga County  
13442 Lorain Avenue  
Cleveland, Ohio 44111

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 Global Ambassadors Language Academy, Cuyahoga County, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 7, 2018.

### ***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 report 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

February 7, 2018



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Global Ambassadors Language Academy  
Cuyahoga County  
13442 Lorain Avenue  
Cleveland, Ohio 44111

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 Global Ambassadors Language Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. 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 at its meeting on June 15, 2016.
2. We inspected the policy, noting it includes the following requirements listed in Ohio Rev. Code 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 definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, 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, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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.
- (11) A statement that includes violence within a dating relationship within its definition of harassment, intimidation or bullying.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. 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 of Directors and the School's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 7, 2018





# Dave Yost • Auditor of State

**GLOBAL AMBASSADORS LANGUAGE ACADEMY**

**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  
MARCH 6, 2018**