

C.M. Grant Leadership Academy
Franklin County
Regular Audit
For the Fiscal Year Ended June 30, 2012



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Dave Yost • Auditor of State

Members of the Governing Board
C.M Grant Leadership Academy
2030 Leonard Avenue
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the C.M Grant Leadership Academy, Franklin County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The C.M Grant Leadership Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 27, 2013

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C.M. Grant Leadership Academy
Franklin County
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For the Fiscal Year Ended June 30, 2012

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Independent Auditor's Report

Members of the Board
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, OH 43219

We have audited the accompanying basic financial statements of C.M. Grant Leadership Academy, Franklin County, (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of C.M. Grant Leadership Academy, Franklin County, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion of provide any assurance on the

C.M. Grant Leadership Academy
Independent Auditor's Report

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, reading "Natalie Millhuff-Stang". The signature is written in a cursive, flowing style.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 21, 2012

C.M. Grant Leadership Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The management's discussion and analysis of C.M. Grant Leadership Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Total net assets were \$29,932 as of June 30, 2012.
- Total assets were \$266,443 as of June 30, 2012.
- Total liabilities were \$236,511 as of June 30, 2012.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during 2012?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

C.M. Grant Leadership Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table I provides a summary of the Academy's net assets for fiscal years 2012 and 2011:

TABLE 1

	June 30	
	2012	2011
Assets		
Current Assets	\$92,464	\$139,170
Non-Current Assets	87,500	100,485
Capital Assets - Net	86,479	119,927
Total Assets	266,443	359,582
Liabilities		
Current Liabilities	129,637	204,469
Non-Current Liabilities	106,874	137,622
Total Liabilities	236,511	342,091
Net Assets		
Invested in Capital Assets	86,479	119,927
Unrestricted (Deficit)	(56,547)	(102,436)
Total Net Assets	\$29,932	\$17,491

Total net assets for the Academy increased \$12,441 due to a number of factors, but largely due to a reduction in liabilities to the Management Company. Intergovernmental receivables decreased \$33,376 as there was a smaller amount of Federal Funds to be accrued. Contracts payable decreased \$36,891, primarily due to the collection of prior year management fees and payroll.

C.M. Grant Leadership Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for fiscal years 2012 and 2011, as well as a listing of revenues and expenses.

TABLE 2

	June 30	
	2012	2011
Operating Revenues		
Foundation Payments	\$1,448,266	\$1,019,790
Other Revenues	31,101	9,822
Nonoperating Revenues		
Federal Grants	392,772	519,651
State Grants	2,075	6,341
Contributions and Donations	205	86,870
	1,874,419	1,642,474
Operating Expenses		
Purchased Services	1,705,418	1,394,815
Materials and Supplies	66,856	102,655
Depreciation (unallocated)	49,140	39,310
Other expenses	36,836	40,412
Nonoperating Expenses		
Interest	3,728	7,907
	1,861,978	1,585,099
Increase in Net Assets	\$12,441	\$57,375

Net assets increased \$12,441. Foundation payments increased \$428,476 due to increased student count. Contributions decreased by \$86,665 as no donations were needed from the management company. Total operating expenses increased \$281,058 due to increased costs associated with a higher student count.

C.M. Grant Leadership Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Capital Assets

At the end of fiscal year 2012, the Academy had \$86,479 invested in furniture, fixtures, and equipment and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2012 and 2011.

TABLE 3

	2012	2011
Furniture, fixtures and equipment	\$72,371	\$92,779
Leasehold Improvements	14,108	27,148
Total Capital Assets	\$86,479	\$119,927

For more information on capital assets, see Note 5 to the basic financial statements.

Debt

On June 30, 2009, the Academy received a \$71,000 note from its management company (The Leona Group). Principal payments of \$18,248 were made during the fiscal year, resulting in an ending balance of \$19,374. The entire balance is due within one year.

On June 12, 2008, the Academy received a \$150,000 note from its management company (The Leona Group). A \$12,500 principal payment was made during the fiscal year, resulting in an ending balance of \$87,500. The entire balance is due within one year.

On August 10, 2011, the Academy received a \$125,000 loan from RBS Citizens that was repaid in full during the fiscal year.

The Academy further received short-term loans from their management company (The Leona Group) throughout the fiscal year totaling \$8,500. This balance was repaid in full by fiscal year-end. The short-term loans have no terms as to repayment.

For more information on debt, see Note 12 to the basic financial statements.

Current Financial Issues

C.M. Grant Leadership Academy was formed in 2007 under a contract with the St. Aloysius Orphanage. During the 2011-2012 school year there were 209 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2012 amounted to \$1,448,266.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of C.M. Grant Leadership Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

C.M. Grant Leadership Academy
Franklin County
Statement of Net Assets
June 30, 2012

Assets

Current Assets:

Cash and Cash Equivalents	\$5,163
Intergovernmental Receivables	71,328
Prepaid Items	15,973
<i>Total Current Assets</i>	<u>92,464</u>

Non-Current Assets:

Security Deposit	87,500
Capital Assets:	
Depreciable Capital Assets, Net	86,479
<i>Total Non-Current Assets</i>	<u>173,979</u>

<i>Total Assets</i>	<u>266,443</u>
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Liabilities

Current Liabilities:

Accounts Payable	16,876
Accounts Payable - Related Party	59,602
Contracts Payable	53,159
<i>Total Current Liabilities</i>	<u>129,637</u>

Non-Current Liabilities:

Due Within One Year	106,874
<i>Total Non-Current Liabilities</i>	<u>106,874</u>

<i>Total Liabilities</i>	<u>236,511</u>
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Net Assets

Invested in Capital Assets	86,479
Unrestricted (Deficit)	(56,547)

<i>Total Net Assets</i>	<u><u>\$29,932</u></u>
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See accompanying notes to the basic financial statements.

**C.M. Grant Leadership Academy
Franklin County**

*Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012*

Operating Revenues	
Foundation Payments	\$1,448,266
Other Revenues	31,101
	<hr/>
<i>Total Operating Revenues</i>	<i>1,479,367</i>
	<hr/>
Operating Expenses	
Purchased Services (Note 10)	1,705,418
Materials and Supplies	66,856
Depreciation	49,140
Other	36,836
	<hr/>
<i>Total Operating Expenses</i>	<i>1,858,250</i>
	<hr/>
<i>Operating Loss</i>	<i>(378,883)</i>
	<hr/>
Non-Operating Revenues and Expenses	
Federal Grants	392,772
State Grants	2,075
Contributions and Donations	205
Interest and Fiscal Charges	(3,728)
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<i>Total Non-Operating Revenues and Expenses</i>	<i>391,324</i>
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<i>Change in Net Assets</i>	<i>12,441</i>
	<hr/>
<i>Net Assets Beginning of Year</i>	<i>17,491</i>
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<i>Net Assets End of Year</i>	<i>\$29,932</i>
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See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Decrease in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$1,446,088
Cash Received from Other Operating Revenues	39,817
Cash Payments to Suppliers for Goods and Services	<u>(1,861,304)</u>

Net Cash Used for Operating Activities (375,399)

Cash Flows from Noncapital Financing Activities:

Federal Grants Received	428,326
State Grants Received	2,075
Contributions and Donations	205
Proceeds of Short Term Loans	8,500
Repayment of Short-Term Loans	(8,500)
Proceeds from Notes	125,000
Principal Payments	(155,748)
Interest Payments	<u>(3,728)</u>

Net Cash Provided by Noncapital Financing Activities 396,130

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(15,692)</u>
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Net Cash Used for Capital and Related Financing Activities (15,692)

Net Increase in Cash and Cash Equivalents 5,039

Cash and Cash Equivalents at Beginning of Year 124

Cash and Cash Equivalents at End of Year \$5,163

(Continued)

C.M. Grant Leadership Academy
Franklin County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used by Operating Activities:**

Operating Loss	(\$378,883)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	49,140
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	8,716
Increase in Intergovernmental Receivable	(2,178)
Decrease in Prepaid Items	9,653
Decrease in Deposits	12,985
Decrease in Accounts Payable	(37,101)
Decrease in Accounts Payable-Related Party	(840)
Decrease in Contracts Payable	(36,891)
	<hr/>
<i>Total Adjustments</i>	<u>3,484</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>(\$375,399)</u></u>

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

C.M. Grant Leadership Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period commencing June 23, 2010 and ending June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by seven non-certified personnel and twelve certificated teachers who provide services to 209 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, 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 all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Academy's financial statements are prepared using the accrual basis of accounting.

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2012.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture, fixtures, and equipment, leasehold improvements, and any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years
Leasehold Improvements	5 years

G. Operating Revenues and Expenses

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

H. Estimates

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

I. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$150,000 less a \$62,500 refund, is held by the lessor. (See Note 11)

3. DEPOSITS

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

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of \$11,595 was fully insured by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2012 consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

4. RECEIVABLES (continued)

A summary of the principal items of receivables follows:

Intergovernmental Receivables	
Title I	\$22,674
Title I ARRA	9,695
Race to the Top	1,035
Child Nutrition - Breakfast	7,461
Child Nutrition - Lunch	13,004
Edujobs	10,528
Medicaid Ohio Health Plan	4,753
State Aid Adjustment	2,178
Total	\$71,328

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$39,243	\$2,763	\$0	\$42,006
EDP Equipment and Software	89,948	12,929	0	102,877
Non-EDP Equipment	14,168	0	0	14,168
Leasehold Improvements	38,231	0	0	38,231
Total Capital Assets				
Being Depreciated	181,590	15,692	0	197,282
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(9,275)	(5,946)	0	(15,221)
EDP Equipment and Software	(37,348)	(27,788)	0	(65,136)
Non-EDP Equipment	(3,957)	(2,366)	0	(6,323)
Leasehold Improvements	(11,083)	(13,040)	0	(24,123)
Total Accumulated Depreciation	(61,663)	(49,140)	0	(110,803)
Total Capital Assets				
Being Depreciated, Net	\$119,927	(\$33,448)	\$0	\$86,479

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

6. RISK MANAGEMENT (continued)

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability	\$2,000,000
Part 2, Employment Practices	2,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property	150,000
Newly Acquired Property	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During the fiscal year, the Academy reviewed its insurance needs and modified coverage where it deemed appropriate.

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$17,177, \$18,398 and \$14,547 respectively, which equaled the required contributions each year.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB Plan 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 these active members who die before retirement may qualify for survivor 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.

For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$61,208, \$47,570, and \$34,239 respectively; 100 percent has been contributed for all years.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

8. POSTEMPLOYMENT BENEFITS (continued)

The Medicare Part 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, the actuarially required allocation is .75%. The Academy's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,014, \$1,184 and \$865, respectively, which equaled the required contributions each year.

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. 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, 2012, the health care allocation is .55%. 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. Statutes provide 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 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. [Name of employer] contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$3,098, \$3,947 and \$524, respectively.

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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

8. POSTEMPLOYMENT BENEFITS (continued)

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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,708, \$3,659, and \$2,634 respectively. 100 percent has been contributed for all years.

9. CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review of state funding for fiscal year 2012 resulted in \$2,178 due to the Academy. This amount has been recorded as a receivable in the accompanying financial statements.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

10. PURCHASED SERVICE EXPENSES

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

Salaries	\$636,846
Fringe Benefits	203,073
Other Professional Fees	145,191
The Leona Group, LLC.	226,490
Legal Fees	2,624
St. Aloysius	43,452
Garbage Removal and Cleaning	24,095
Repairs and Maintenance	14,193
Facility Rental	188,280
Other Rentals and Leases	6,908
Communications	16,022
Advertising	8,865
Utilities	29,781
Contracted Food Service	119,782
Pupil Transportation	<u>39,816</u>
Total Purchased Services	<u><u>\$1,705,418</u></u>

11. OPERATING LEASES

The Academy has entered into a lease for the period August 11, 2008 through July 31, 2013 with Millworks, PTR, LLC. An amendment was signed on August 1, 2010 extending the term of the lease to July 31, 2015, and providing for a release of \$75,000 of the security deposit over the term of the lease. The remaining \$25,000 is non-refundable. Payments to Millworks totaled \$188,280 for the fiscal period. The lease is automatically extended on a year-to-year basis. The annual Base Rent for the extended term shall be equal to the rent for the immediate prior year adjusted by the increase in the per-pupil funding from the State of Ohio.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2012.

Fiscal Year Ending June 30,	Facility Lease
2013	<u>\$197,447</u>
2014	202,863
2015	<u>207,863</u>
Total minimum lease payments	<u><u>\$608,173</u></u>

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

12. NOTES PAYABLE

Debt activity during 2012 was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Due Within One Year
Note Payable – The Leona Group 1	\$100,000	\$0	\$12,500	\$87,500	\$87,500
Note Payable – The Leona Group 2	37,622	0	18,248	19,374	19,374
Note Payable – RBS Citizens	0	125,000	125,000	0	0
Total	\$137,622	\$125,000	\$155,748	\$106,874	\$106,874

The Academy entered into a promissory note with The Leona Group of \$150,000 on June 12, 2008. The note was used to pay the security deposit for the lease described in Note 11. The note has an interest rate of 3% and a maturity date of June 12, 2013.

The Academy entered into a working capital note with The Leona Group of \$71,000 on June 30, 2009. The note was used to pay for general operating expenses of the Academy. The note has an interest rate of 6%, required principal and interest payments totaling \$1,667 per month, and a maturity date of June 30, 2013.

The Academy entered into a loan agreement with RBS Citizens, NA on August 24, 2011 with a maturity date of June 30, 2012. This agreement provided the Academy with \$125,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

Principal and interest amounts due in the next fiscal year on note payable obligations outstanding that June 30, 2012 are as follows:

Year Ended	Notes Payable TLG 2		Notes Payable TLG 1		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30 2013	\$19,374	\$635	\$87,500	\$16,500	\$106,874	\$17,135

The Academy further received short-term loans from The Leona Group throughout the fiscal year totaling \$8,500. This balance was repaid in full by fiscal year-end. The short-term loans have no terms as to repayment.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, with automatic 1-year extensions with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The Academy incurred capitation fees of \$226,490 for the 2012 fiscal year.

C.M. Grant Leadership Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

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

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

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

Expenses	2012
Salaries and Wages	\$636,846
Employee Benefits	203,073
Professional and Technical Services	19,728
Communications	358
Advertising	207
Contracted Craft or Trade Service	1,255
Other Supplies	4,980
Other Direct Costs	5,892
Total Expenses	\$872,339

At June 30, 2012, the Academy had a balance due to The Leona Group, LLC in the amount of \$112,761. This consists mostly of outstanding management fees, the final payroll of the fiscal year, and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Accounts Payable - Related Party	\$59,602
Management Fees	53,159
Total Expenses	\$112,761

14. SUBSEQUENT EVENTS

The Academy entered into a loan agreement with RBS Citizens, NA on October 2, 2012 with a maturity date of June 30, 2013. This agreement provided the Academy with \$100,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

On July 1, 2012, the Academy's agreement with its management company, The Leona Group (see Note 13), automatically renewed for a one-year period through June 30, 2013.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, OH 43219

We have audited the basic financial statements of C.M. Grant Leadership Academy, Franklin County, (the Academy), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

C.M. Grant Leadership Academy
Franklin County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 21, 2012

C.M. Grant Leadership Academy
Franklin County
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Significant deficiency – financial reporting	Yes	



Dave Yost • Auditor of State

C.M. GRANT LEADERSHIP ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**