

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

DON ASH, TREASURER



Dave Yost • Auditor of State

Board of Directors
Achieve Career Preparatory Academy
301 Collingwood Boulevard
Toledo, Ohio 43602

We have reviewed the *Independent Auditor's Report* of the Achieve Career Preparatory Academy, Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Achieve Career Preparatory 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

November 24, 2014

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**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Achieve Career Preparatory Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Achieve Career Preparatory Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 respective financial position of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of June 30, 2014, and the respective changes in financial position and its cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying basic financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern. As described in Note 14 to the basic financial statements, the Achieve Career Preparatory Academy has current liabilities exceeding current assets and has suffered a declining net position due to expenses exceeding revenues, which raises substantial doubt about the Achieve Career Preparatory Academy's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the Achieve Career Preparatory Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Achieve Career Preparatory Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 29, 2014

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

The management's discussion and analysis of Achieve Career Preparatory Academy of Toledo's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. 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 new 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 Government*, 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

- In total, net position was (\$86,682) in 2014.
- Total assets were \$253,432 in 2014.
- Liabilities were \$340,114 in 2014.

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 position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2014?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Table I provides a summary of the Academy's net position for fiscal year 2014:

TABLE I	For the year ended	
	June 30, 2014	June 30, 2013
Assets		
Current Assets	\$ 116,798	\$ 102,404
Non-Current Assets	136,634	219,730
Total assets	253,432	322,134
Liabilities		
Current Liabilities	340,114	242,976
Total liabilities	340,114	242,976
Net Position		
Net investment in capital assets	107,467	190,563
Unrestricted	(194,149)	(111,405)
Total net position	\$ (86,682)	\$ 79,158

Total net position for the Academy decreased \$165,840. Cash was \$1,817. Contracts Payable increased \$103,867 due to increases in uncollected management fees and payroll. Net investment in capital assets decreased \$83,096 due to the combination of depreciation expense and few capital additions during the year.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Table 2 shows the changes in net position for fiscal year 2014, as well as a listing of revenues and expenses.

TABLE 2	For the year ended	
	June 30, 2014	June 30, 2013
Operating Revenues		
Foundation Payments	\$ 1,323,738	\$ 1,585,038
Food Services		650
Other	24,188	9,878
Nonoperating Revenues		
Federal Grants	351,190	424,834
State Grants	130,686	11,059
Insurance Proceeds		20,824
Other		250
Total revenue	1,829,802	2,052,533
Operating Expenses		
Purchased Services	1,775,476	1,961,500
Materials and Supplies	72,353	91,388
Depreciation (unallocated)	87,824	109,069
Other expenses	56,570	49,028
Nonoperating Expenses		
Interest	2,279	2,102
Refund of Prior Year Grant Funds		551
Loss of Sale of Fixed Assets	1,140	
Total expenses	1,995,642	2,213,638
Change in Net Position	\$ (165,840)	\$ (161,105)

Net position decreased by \$165,840. Federal Grants decreased by \$73,644 due to funding reductions in Title I and Special Ed Part B. State Grants increased by \$119,627 due to an implementation of Poverty Based Grants-in-Aid. Depreciation Expense decreased by \$21,245 due to a combination of fully depreciated assets and reduced number of additions.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

At the end of fiscal year 2014, the Academy had \$107,467 invested in capital assets (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2014 and 2013.

TABLE 3

	2014	2013
Furniture, fixtures and equipment	\$ 100,680	\$ 146,382
Leasehold Improvements	6,787	44,181
Totals	<u>\$ 107,467</u>	<u>\$ 190,563</u>

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

Current Financial Issues

Achieve Career Preparatory Academy was formed in 2009. During the 2013-2014 school year there were 169 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2014 amounted to \$1,323,738.

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 Achieve Career Preparatory Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

**Achieve Career Preparatory Academy
LUCAS COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,817
Accounts Receivables	14,602
Intergovernmental Receivables	61,276
Prepaid Items	39,103
<i>Total Current Assets</i>	<u>116,798</u>

Non-Current Assets:

Security Deposits	29,167
Depreciable Capital Assets, Net	107,467
<i>Total Non-Current Assets</i>	<u>136,634</u>

<i>Total Assets</i>	<u>253,432</u>
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Liabilities

Current Liabilities:

Accounts Payable	1,579
Accrued Wages Payable	58,376
STRS-SERS Payable	5,479
Contracts Payable	202,276
Interest Payable	2,714
Notes Payable - Current Portion	67,847
Intergovernmental Payable	1,843

<i>Total Current Liabilities</i>	<u>340,114</u>
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<i>Total Liabilities</i>	<u>340,114</u>
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Net Position

Net Investment in Capital Assets	107,467
Unrestricted	(194,149)

<i>Total Net Position</i>	<u>\$ (86,682)</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Achieve Career Preparatory Academy
LUCAS COUNTY**

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

Operating Revenues	
Foundation Payments	\$ 1,323,738
Other Revenues	<u>24,188</u>
<i>Total Operating Revenues</i>	<u>1,347,926</u>
Operating Expenses	
Purchased Services	1,775,476
Materials and Supplies	72,353
Depreciation	87,824
Other	<u>56,570</u>
<i>Total Operating Expenses</i>	<u>1,992,223</u>
<i>Operating Loss</i>	<u>(644,296)</u>
Non-Operating Revenues and Expenses	
Federal Grants	351,190
State Grants	130,686
Gain/Loss on Sale of Fixed Assets	(1,140)
Interest and Fiscal Charges	<u>(2,279)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>478,457</u>
<i>Change in Net Position</i>	(165,839)
<i>Net Position Beginning of Year</i>	<u>79,158</u>
<i>Net Position End of Year</i>	<u><u>\$ (86,682)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Achieve Career Preparatory Academy
LUCAS COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,323,738
Cash Received from Other Operating Revenues	9,361
Cash Payments to Suppliers for Goods and Services	<u>(1,817,609)</u>

Net Cash Used for Operating Activities (484,510)

Cash Flows from Noncapital Financing Activities:

Federal Grants Received	351,638
State Grants Received	131,207
Proceeds from Notes	150,000
Principal Payments	(150,000)
Interest Payments	<u>(2,279)</u>

Net Cash Provided by Noncapital Financing Activities 480,566

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(5,868)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(5,868)</u>

Net Increase (decrease) in Cash and Cash Equivalents (9,812)

Cash and Cash Equivalents at Beginning of Year 11,629

Cash and Cash Equivalents at End of Year \$ 1,817

(Continued)

**Achieve Career Preparatory Academy
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Operating Loss	\$ (644,296)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	87,824
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(14,602)
(Increase)/Decrease in Intergovernmental Receivable	(1,134)
(Increase)/Decrease in Prepaid Items	(9,439)
Increase/(Decrease) in Accounts Payable	(217)
Increase/(Decrease) in Intergovernmental Payable	326
Increase/(Decrease) in STRS-SERS Payable	418
Increase/(Decrease) in Accrued Wages Payable	(7,257)
Increase/(Decrease) in Contracts Payable	<u>103,868</u>
<i>Total Adjustments</i>	<u>159,786</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (484,510)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Achieve Career Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 102. The Academy's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. 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's programs are currently available to students in grades 9 – 12. 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 Buckeye Community Hope Foundation (the Sponsor) for a period of one year commencing May 8, 2009, with a three-year renewal on July 1, 2010 and a two-year renewal on July 1, 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 five 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 eleven certified teaching personnel and fourteen non-certified personnel who provide services to 169 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. (See Note 13).

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 a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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

All monies received by the Academy are maintained in a bank account in the Academy's name. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

F. Prepaid Items

Payments made to vendors for services in the amount of \$1,000 and greater that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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 and equipment, land, and buildings, or 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.

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:

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

H. Security Deposit

The Academy entered into a lease for the use of the building for the operation of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. The deposit totaled \$29,167 and is held by the lessor.

I. Net Position

Net position represents the difference between assets and liabilities. The net position component "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 improvement of those assets. Portions of net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. 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.

K. 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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

3. DEPOSITS AND INVESTMENTS

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 a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

4. RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, local revenue and refunds. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Casino Tax Revenue	\$4,282
Medicaid	531
Child Nutrition	11,973
Title IIa	200
Title I	26,446
Special Ed	1,407
Race to the Top	11,494
STRS/SERS contributions due from other academies	4,944
Total Intergovernmental Receivables	<u>\$ 61,276</u>
<u>Accounts Receivable</u>	<u>Amounts</u>
eRate refund	\$14,602
Total Accounts Receivable	<u>\$ 14,602</u>

5. CAPITAL ASSETS

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

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/14</u>
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	296,512		(642)	295,870
Leasehold Improvements	126,443	5,868	(5,588)	126,723
Total Capital Assets				
Being Depreciated	<u>422,955</u>	<u>5,868</u>	<u>(6,230)</u>	<u>422,593</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(150,130)	(45,698)	638	(195,190)
Leasehold Improvements	(82,262)	(42,126)	4,452	(119,936)
Total Accumulated Depreciation	<u>(232,392)</u>	<u>(87,824)</u>	<u>5,090</u>	<u>(315,126)</u>
Capital Assets, Net of A/D	<u>190,563</u>	<u>(81,956)</u>	<u>(1,140)</u>	<u>107,467</u>

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

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 2014, the Academy contracted with Philadelphia Insurance Company for general liability, property insurance and educational errors and omissions insurance. Settled claims have not exceeded this in any of the past three years. There has been no significant reduction in coverage from the prior year.

Coverage is as follows:

Educational Errors and Omissions:	
Part 1, D&O Liability	\$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal and ADV Injury	1,000,000
Vehicle	1,000,000
Property:	
Personal	250,000
BI	101,000
Umbrella:	3,000,000

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, 2014, the allocation to pension and death benefits is 13.1%. The remaining .90% 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, 2014, 2013, and 2012 were \$32,095, \$28,892, and \$25,805 respectively, which equaled the required contributions each year.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

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 statement 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, 2014, plan members were required to contribute 11 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 14 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, 2014, 2013, and 2012 were \$56,096, \$68,896, and \$97,520 respectively; 100 percent has been contributed for all years.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

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.

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$1,862, \$1,632, and \$1,523 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, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$4,159, \$2,306, and \$3,948 respectively. 100 percent has been contributed for all years

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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

8. POSTEMPLOYMENT BENEFITS (continued)

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.

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 2014, 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, 2014, 2013, and 2012 were \$4,315, \$5,299, and \$7,501 respectively. 100 percent has been contributed for all years.

9. CONTINGENCIES

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	\$ 673,769
Fringe Benefits	285,764
The Leona Group, LLC.	214,790
Legal	2,300
Buckeye Community Hope Foundation	42,832
Garbage Removal/Cleaning	5,910
Repairs and Maintenance	8,683
Building lease agreements	305,673
Other rentals and leases	10,189
Communication	27,618
Advertising	13,704
Contracted food services	72,798
Pupil transportation	25,464
Other Professional Services	85,982
	<u>\$ 1,775,476</u>
Total Purchased Services	

11. OPERATING LEASES

The Academy has entered into a lease for the period July 1, 2009 through June 30, 2014 with MFB Hamilton Properties, Ltd. with an addendum dated December 3, 2013 extending the lease to June 30, 2016. Payments made totaled \$305,673 for the fiscal period.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2014.

Fiscal Year Ending	Facility Lease
2015	\$282,000
2016	282,000
Total Minimum Lease Payments	<u>\$564,000</u>

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

12. NOTES PAYABLE

Debt Activity during 2014 was as follows:

	Balance at 06/30/13	Additions	Reductions	Balance at 06/30/14
Note Payable-RBS Citizens Bank Promissory Note	\$ 67,847	\$ 150,000	\$ 150,000	\$ - \$ 67,847
	<u>\$ 67,847</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 67,847</u>

The Academy entered into a loan agreement with RBS Citizens NA Bank on August 29, 2013 with a maturity date of June 30, 2014. This agreement provided the Academy with \$150,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner.

The Academy entered into a loan agreement with The Leona Group, LLC on June 30, 2011 with a maturity date of June 30, 2014. Plans to re-finance the note have not yet been finalized. This agreement provided the Academy with \$67,847 for operations of the Academy. The annual rate of interest is 4%. The loan agreement contains a provision to prepay the note prior to maturity based on the audited fund balance as of fiscal year end. Since the current and non-current portions cannot be determined, the entire balance is recorded as a current liability.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a ten year, two month contract, effective May 8, 2009 through June 30, 2019, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the gross revenue. The amount paid to TLG for fiscal period 2014 totaled \$214,790. Terms of the contracts require TLG to provide the following:

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

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services. Indirect costs benefitting more than one school are charged to each school pro rated based on how the related service is rendered or costs incurred (i.e. actual expenses incurred, student count, or staffing levels.)

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

For the year ended June 30, 2014, those expenses are as follows:

<u>Expenses</u>	<u>2014</u>
Salaries and Wages	\$673,770
Employee Benefits	285,764
Professional and Technical Services	26,242
Communications	820
Advertising	2,306
Contracted Craft or Trade	1,119
Other Direct Costs	862
Indirect Costs	4,173
 Total Expenses	 <u><u>\$995,056</u></u>

At June 30, 2014, the Academy had payables to The Leona Group, LLC in the amount of \$202,276. The following is a schedule of payables to The Leona Group, LLC.:

	<u>Amount</u>
Management Fee	165,392
Payroll	27,978
Miscellaneous	8,906
 Total Expenses	 <u><u>\$ 202,276</u></u>

14. GOING CONCERN

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern.

The Academy had an operating loss of \$644,296, a decrease in net position of \$165,839 and current liabilities exceeding current assets by \$223,316 at June 30, 2014.

The Academy's student enrollment for the 2013-2014 school year was below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company. The Academy's 2014-2015 enrollment continues to lag behind desired levels for the Academy to function financially on its own. Grassroots and social media marketing strategies will be undertaken to help increase enrollment. Expenditure cuts are also being implemented.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

15. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

16. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens NA Bank on September 26, 2014 with a maturity date of June 30, 2015. This agreement provided the Academy with \$75,000 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.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

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 Achieve Career Preparatory Academy, Lucas County, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements and have issued our report thereon dated October 29, 2014, wherein we noted the accompanying financial statements have been prepared assuming that the Achieve Career Preparatory Academy will continue as a going concern.

Internal Control Over Financial Reporting

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

Board of Directors
Achieve Career Preparatory Academy

Compliance and Other Matters

As part of reasonably assuring whether the Achieve Career Preparatory Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 Achieve Career Preparatory Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Achieve Career Preparatory Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
October 29, 2014

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Dave Yost • Auditor of State

ACHIEVE CAREER PREPARATORY ACADEMY

LUCAS 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
DECEMBER 4, 2014**