

# **Audited Financial Report**

For the Year Ended June 30, 2017



The  
**Green Inspiration**  
Academy

*“A Community of Learning and Practice”*

**The Green Inspiration Academy**

**Highland Hills, Ohio**





# Dave Yost • Auditor of State

Board of Directors  
Green Inspiration Academy  
4265 Northfield Road  
Highland Hills, Ohio 44124

We have reviewed the *Independent Auditor's Report* of the Green Inspiration Academy, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery Repaid Under Audit – Board Stipend Overpayment**

**Ohio Rev. Code § 3314.02(E)(5)** states that the governing authority of a start-up or conversion community school may provide by resolution for the compensation of its members. However, no individual who serves on the governing authority of a start-up or conversion community school shall be compensated more than one hundred twenty-five dollars per meeting of that governing authority and no such individual shall be compensated more than a total amount of five thousand dollars per year for all governing authorities upon which the individual serves. Each member of the governing authority may be paid compensation for attendance at an approved training program, provided that such compensation shall not exceed sixty dollars a day for attendance at a training program three hours or less in length and one hundred twenty-five dollars a day for attendance at a training program longer than three hours in length.

Antoine Williams served as a board member for both the Green Inspiration Academy and the Invictus High School and was paid over \$5,000 during the fiscal year of July 1, 2016 through June 30, 2017. The amount that Green Inspiration Academy paid above the \$5,000 threshold was \$500.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued in favor of the Green Inspiration Academy against Antoine Williams for \$500.

Board of Directors  
Green Inspiration Academy  
4265 Northfield Road  
Highland Hills, Ohio 44124  
Page -2-

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Treasurer, Brian Adams, signed the warrants resulting in improper payments. Brian Adams will be jointly and severally liable in the amount of \$500 and in favor of the Green Inspiration Academy.

Brian Adams, Treasurer, paid \$500 with check number 3447 to Green Inspiration Academy on December 28, 2017.

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 Green Inspiration Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost  
Auditor of State

April 18, 2018

**GREEN INSPIRATION ACADEMY  
 CUYAHOGA COUNTY, OHIO**

**AUDITED FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017**

**TABLE OF CONTENTS**

<b>Title</b>	<b>Page</b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements	
Statement of Net Position .....	8
Statement of Revenues, Expenses, and Changes in Net Position .....	9
Statement of Cash Flows .....	10
Notes to the Basic Financial Statements .....	12
Required Supplemental Information	
Schedule of the School's Proportionate Share of the Net Pension Liability .....	30
Schedule of School Contributions .....	31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	32

**This page intentionally left blank.**

January 31, 2018

To the Board of Directors  
Green Inspiration Academy  
Cuyahoga County, Ohio  
4265 Northfield Road  
Highland Hills, OH 44128

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Green Inspiration Academy, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As disclosed in Note 21 to the financial statements, the School has suffered recurring losses from operations and has a net position deficiency of \$2,761,721 that raises substantial doubt about its ability to continue as a going concern. This deficiency of net position includes the effect of the net pension liability and related accruals totaling \$2,064,888. Note 21 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the School's Proportionate Share of the Net Pension Liability, and Schedule of School Contributions on pages 3-7, 30, and 31, respectively, 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 or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the School'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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

Cambridge, Ohio



**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)**

The discussion and analysis of the Green Inspiration Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued 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 decreased \$110,069, which represents a 4.2 percent decrease from 2016. This decrease is due to increased operating expenses and an increase in GASB 68 accruals.
- Total assets increased \$37,703, which represents a 79.3 percent increase from 2016. This was primarily due to increase in state funding receivable.
- Liabilities increased \$617,995, which represents a 23.2 percent increase from 2016. The increase in liabilities is a result of the increase in Long Term Liabilities, specifically a \$553,631 increase in Net Pension Liability, and an overall increase of \$64,364 in Current Liabilities due predominately to increases in accounts payable.

**Using this Financial Report**

This report consists of three parts, required supplementary information, 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.

The School uses enterprise presentation for all of its activities.

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2017. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)**

Table 1 provides a summary of the School's Net Position for fiscal years 2017 and 2016.

(Table 1)  
**Statement of Net Position**

	2017	2016
<b>Assets</b>		
Current Assets	\$ 63,478	\$ 25,775
Noncurrent Assets	21,790	21,790
Total Assets	85,268	47,565
<b>Deferred Outflows of Resources</b>		
Pension Requirements	610,194	280,398
<b>Liabilities</b>		
Current Liabilities	782,101	717,737
Long-Term Liabilities	2,504,261	1,950,630
Total Liabilities	3,286,362	2,668,367
<b>Deferred Inflows of Resources</b>		
Pension Requirements	170,821	311,248
<b>Net Position</b>		
Unrestricted	(2,761,721)	(2,651,652)
Total Net Position	\$(2,761,721)	\$(2,651,652)

In total, Net Position decreased \$110,069, which represents a 4.2 percent decrease from 2016. This decrease is due to increased operating expenses and an increase in GASB 68 accruals. Total assets increased \$37,703, which represents a 79.3 percent increase from 2016. This was primarily due to increase in state funding receivable. Liabilities increased \$617,995, which represents a 23.2 percent increase from 2016. The increase in liabilities is a result of the increase in Long Term Liabilities, specifically a \$553,631 increase in Net Pension Liabilities, and an overall increase of \$64,364 in Current Liabilities due predominately to increases in accounts payable.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)**

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

Table 2 shows the changes in net position for the year ended June 30, 2017, as compared to changes reported for fiscal year 2016.

(Table 2)  
**Change in Net Position**

	2017	2016
<b>Operating Revenues</b>		
State Aid	\$ 1,634,251	\$1,422,418
Casino Aid	10,509	9,650
Facilities Aid	41,206	29,931
<b>Non-Operating Revenues</b>		
Grants	467,641	414,402
Miscellaneous	11,895	1,191
Total Revenues	2,165,502	1,877,592
<b>Operating Expenses</b>		
Salaries	894,431	785,413
Fringe Benefits	326,212	307,950
Purchased Services	964,525	848,500
Materials and Supplies	43,770	68,862
Other	5,432	46,537
<b>Non-Operating Expenses</b>		
Interest and Fiscal Charges	41,201	39,031
Total Expenses	2,275,571	2,096,293
Change in Net Position	\$ (110,069)	(218,701)

The primary reason for the increase in overall revenues from 2016 was the increase in state aid. The School's most significant expenses, Salaries and Purchased Services, increased as well because of the management agreement in place between the School and AJ Hart Management (AJ Hart). The agreement provides that specific percentages of the revenues received by the School will be paid to AJ Hart to fund operations (See Notes to the Basic Financial Statements, Note 18).

During a prior fiscal year, the School adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)**

Under the standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense, under GASB 68, the 2017 statements report pension expense of \$183,497.

### **Budgeting Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

### **Capital Assets**

At the end of fiscal year 2017, the School had \$0 in capital assets. All assets have been fully depreciated.

For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)**

**Debt**

At June 30, 2017, the School had \$227,300 in debt outstanding. See Note 20 for additional details.

Table 3 summarizes debt outstanding:

(Table 3)

**Outstanding Debt, at Year End**

	<u>2017</u>	<u>2016</u>
Notes Payable	<u>\$ 227,300</u>	<u>\$227,300</u>

**Current Financial Issues**

The Green Inspiration Academy received revenue for 206 students in 2017 (an increase from 2016 of 6). State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$8,184 in fiscal year 2017. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Ohio Council of Community Schools as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee, a cost that was not incurred through the sponsorship by ODE. In June of 2012, the School contracted with St. Aloysius Orphanage (SAO) for three years (ending June 30, 2015) to be its sponsor. The contract with SAO was renewed and is effective through June 30, 2018. The school paid SAO three percent of State Aid as its sponsorship fee in fiscal year 2017.

**Contacting the School's Financial Management**

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Brian G. Adams, Fiscal Officer for the Green Inspiration Academy, 65 E. Wilson Bridge Road, Worthington, OH 43085 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 7,365
State Funding Receivable	29,861
Grants Receivable	<u>26,252</u>

**Total Current Assets** 63,478

Noncurrent Assets:

Lease Deposits	<u>21,790</u>
----------------	---------------

**Total Assets** 85,268

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Requirements	<u>610,194</u>
----------------------	----------------

**LIABILITIES**

Current Liabilities:

Accounts payable	171,784
Continuing Fees Payable	237,363
Sponsor Fees Payable	4,307
Notes Payable	227,300
Accrued Wages and Benefits	137,382
Intergovernmental Payable	<u>3,965</u>

Total Current Liabilities 782,101

Long-Term Liabilities:

Net Pension Liability	<u>2,504,261</u>
-----------------------	------------------

**Total Liabilities** 3,286,362

**DEFERRED INFLOWS OF RESOURCES**

Pension Requirements	<u>170,821</u>
----------------------	----------------

**NET POSITION**

Unrestricted (2,761,721)

**Total Net Position** \$(2,761,721)

See accompanying notes to the basic financial statements

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**OPERATING REVENUES**

State Aid	\$ 1,634,251
Casino Aid	10,509
Facilities Aid	<u>41,206</u>

**Total Operating Revenues** 1,685,966

**OPERATING EXPENSES**

Salaries	894,431
Fringe Benefits	326,212
Purchased Services	964,525
Materials and Supplies	43,770
Other	<u>5,432</u>

**Total Operating Expenses** 2,234,370

**Operating Loss** (548,404)

**NON-OPERATING REVENUE/(EXPENSES)**

Grants	467,641
Interest and Fiscal Charges	(41,201)
Miscellaneous	<u>11,895</u>

**Total Non-Operating Revenue/ (Expenses)** 438,335

**Change in Net Position** (110,069)

**Net Position Beginning of Year** (2,651,652)

**Net Position End of Year** \$ (2,761,721)

See accompanying notes to the basic financial statements

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State of Ohio	\$ 1,627,488
Cash Payments to Employees for Services	(790,382)
Cash Payments for Employee Benefits	(303,042)
Cash Payments to Suppliers for Goods and Services	(957,419)
Other Cash Payments	(5,432)

Net Cash Used For Operating Activities (428,787)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Grants	464,255
Cash Received from Notes Payable	909,600
Cash Payments for Principal Payments	(909,600)
Cash Payments for Interest and Fiscal Charges	(41,201)
Other Cash Received	11,895

Net Cash Provided by Noncapital Financing Activities 434,949

Net Increase in Cash and Cash Equivalents 6,162

Cash and Cash Equivalents Beginning of Year 1,203

Cash and Cash Equivalents End of Year \$ 7,365

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Operating Loss \$ (548,404)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets and Liabilities:

Accounts Receivable	134
State Funding Receivable	(29,861)
Receivable from Schools	1,572
Accounts Payable	45,478
Sponsor Fee Payable	4,307
Intergovernmental Payable	(5,447)
Payable to Schools	(615)
Accrued Wages and Benefits	20,641
Net Pension Liability	553,631
Deferred Outflows of Resources	(329,796)
Deferred Inflows of Resources	(140,427)

Net Cash Used For Operating Activities \$ (428,787)

See accompanying notes to the basic financial statements



**This page intentionally left blank.**

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Green Inspiration Academy, (the School) is a federal 501(c)(3) tax-exempt, state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from August 20, 1998 through June 30, 2003. The contract was subsequently renewed for a two year period from July 1, 2003 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. From July 1, 2005 through June 30, 2010, the School signed a contract with Ohio Council of Community Schools (Sponsor). In June of 2010, the School contracted with Buckeye Community Hope Foundation (BCHF) for two years (ending June 30, 2012) to be its sponsor. Beginning in June 2012, St Aloysius Orphanage (SAO) sponsored the school for a three year term ending June 30, 2015 for a fee of 3% of state revenues. The contract with SAO was renewed and is effective through June 30, 2018.

The School operates under a self-appointing, seven-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by the School, who provide services to 206 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School 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 more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, deferred inflows of resources, and all liabilities are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2017. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. Cash and Cash Equivalents**

All cash received by the School is maintained in a demand deposit account. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid", "Casino Aid", and "Facilities Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2017 school year totaled \$2,153,607.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets and Depreciation**

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation, of \$0. Depreciation is computed by the straight-line method over five years for "Equipment" and ten years for "Leasehold Improvements".

**G. Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows resources, and liabilities, the disclosure of contingent assets, deferred outflows of resources, deferred inflows of resources, and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Net Position**

Net position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**I. Operating Revenues and Expenses**

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

**J. Pensions**

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

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 12).

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all School deposits was \$7,365, and its bank balance of \$19,946. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, all of the bank balance was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. State law does not require security for public deposits and investments to be maintained in the School's name. During 2017, the School and public depositories complied with the provisions of these statutes.

**B. Investments**

As of June 30, 2017, the School had no investments.

**4. GRANTS FUNDING RECEIVABLE**

The School has recorded "Grants Receivable" in the amount of \$26,252 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2017.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**5. CONTINUING FEES PAYABLE**

A "Continuing Fees Payable" to former management company White Hat Management Company, (WHLS, LLC) has been recorded by the School in the amount of \$237,363, and reported in the Statement of Net Position. The balance was due to an underpayment of management fees and is awaiting final reconciliation.

**6. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2017, the School's capital assets consisted of the following:

	Balance <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2017</u>
<b>Capital Assets Being Depreciated</b>				
Equipment	\$134,114	\$ -	\$ -	\$134,114
Leasehold Improvements	<u>770,036</u>	-	-	<u>770,036</u>
<b>Total Assets Being Depreciated</b>	<u>904,150</u>	-	-	<u>904,150</u>
 <b>Less: Accumulated Depreciation</b>				
Equipment	(134,114)	-	-	(134,114)
Leasehold Improvements	<u>(770,036)</u>	-	-	<u>(770,036)</u>
<b>Total Assets Being Depreciated</b>	<u>(904,150)</u>	-	-	<u>(904,150)</u>
 <b>Total Capital Assets Being Depreciated, Net</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**7. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with an insurance company for property and general liability insurance. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

**Director and Officer** - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$2,500 deductible.

**8. ACCOUNTS PAYABLE**

Accounts Payable consists of obligations totaling \$171,784 at June 30, 2017, which were incurred during the normal course of conducting business.

**9. ACCRUED WAGES AND BENEFITS**

Accrued wages and benefits were \$137,382 at June 30, 2017, which represents wages, with associated benefits earned and not paid at June 30, 2017, for certain school teachers paid over a 12-month period of time.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**10. INTERGOVERNMENTAL PAYABLE**

Intergovernmental payables were \$3,965 at June 30, 2017, which consists of outstanding liabilities to various agencies related to payroll.

**11. PURCHASED SERVICES**

For the period July 1, 2016 to June 30, 2017, purchased service expenses were for the following services.

	<u>2017</u>
Professional Services	\$438,578
Property Services	315,103
Travel and Professional Development	2,880
Communications	33,270
Trade Services	153,333
Transportation	950
Insurance	<u>20,411</u>
Total	<u>\$964,525</u>

**12. DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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



**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - State Employees Retirement System (SERS) (continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School's contractually required contribution to SERS was \$2,915 for fiscal year 2017.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

The School's contractually required contribution to STRS was \$97,174 for fiscal year 2017.

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

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

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 2,095,374	\$ 408,887	\$ 2,504,261
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00625989%	0.00558660%	
Prior Measurement Date	0.00567229%	0.00671170%	
Change in Proportionate Share	<u>0.00058760%</u>	<u>-0.00112510%</u>	
Pension Expense	\$ 117,941	\$ 65,556	\$ 183,497

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

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

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	STRS	SERS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 84,661	\$ 5,514	\$ 90,175
Net Difference between Projected and Actual Earnings on Pension Plan Investments	173,973	33,726	207,699
Changes of Assumptions	0	27,296	27,296
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	127,002	57,933	184,935
School Contributions Subsequent to the Measurement Date	97,174	2,915	100,089
<b>Total Deferred Outflows of Resources</b>	<b>\$ 482,810</b>	<b>\$ 127,384</b>	<b>\$ 610,194</b>
<b>Deferred Inflows of Resources</b>			
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	\$ 129,186	\$ 41,635	\$ 170,821

\$100,089 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

Fiscal Year Ending June 30:	STRS	SERS	Total
2018	\$ 29,638	\$ 28,541	\$ 58,179
2019	29,637	28,514	58,151
2020	96,395	16,083	112,478
2021	100,780	9,696	110,476
	<u>\$ 256,450</u>	<u>\$ 82,834</u>	<u>\$ 339,284</u>

**Actuarial Assumptions - SERS**

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increase, including Inflation	3.5 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – SERS (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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

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

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

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – SERS (Continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's Proportionate Share of the Net Pension Liability	\$ 541,342	\$ 408,887	\$ 298,018

**Actuarial Assumptions - STRS**

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	\$ 2,784,582	\$ 2,095,374	\$ 1,513,987

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

**13. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** – The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**13. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employees Retirement System (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School's surcharge obligation was \$15,714.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School's contributions for health care (including surcharge) for the fiscal year ended June 30, 2015, was \$0. The full amount has been contributed for fiscal year 2015.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, 2016, and 2015, STRS did not allocate any employer contributions to post-employment health care. Therefore, the School did not contribute to post-employment health care in the last three fiscal years.



**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**14. CONTINGENCIES**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**B. Full Time Equivalency**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2017.

As of the date of this report, all ODE adjustments through fiscal year 2017 have been completed.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2017 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

**C. Litigation**

In February 2009, the School Filed a Lawsuit against the WHLS and its affiliates for matters related to the management agreement. The effect of this lawsuit is presently not determinable. The effect of this lawsuit is presently not determinable.

**15. SPONSORSHIP FEES**

The School contracted with the St. Aloysius Orphanage as its sponsor effective July 1, 2012. The School pays SAO three percent of the State Aid. Total fee expense for fiscal year 2017 was \$48,169 with payables of \$4307 listed on the statement of net position. SAO provides oversight, monitoring and technical assistance for the School. The contract with SAO was renewed and is effective through June 30, 2018.

**16. TAX EXEMPT STATUS**

The School was approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**17. LEASE DEPOSIT**

The School entered into a facility lease agreement for fiscal year 2014 with Mt. Zion Community Development Center. The term of the lease is for four years, through 2018. The School paid a lease deposit of \$21,790 to secure the facility. Total amounts due in fiscal year 2018 are \$276,000.

**18. AGREEMENT WITH AJ HART MANAGEMENT LLC.**

The School entered into a management agreement with AJ Hart Management, LLC (AJ Hart). The term of the contract is for 3 years beginning July 1, 2013, and ending June 30, 2016. This contract was extended through June 30, 2019. AJ Hart is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations of the school. Responsibilities include (but not limited to) student recruitment, budget development, personnel management, curriculum development/oversight, and facilities management. The school pays AJ Hart a fixed percentage of 8 percent per month of all State Aid, plus direct expenses. Total fees earned for fiscal year 2017 were \$156,761, of which \$48,364 was still due and recorded in *accounts payable* at June 30, 2017.

**19. CHANGE IN ACCOUNTING PRINCIPLES**

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

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

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

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

**GREEN INSPIRATION ACADEMY  
CUYAHOGA COUNTY, OHIO**

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

**20. NOTES PAYABLE**

A summary of short-term note payable for the school at June 30, 2017, is as follows:

*Charter School Capital* - In August 2015, the school entered into an agreement with Charter School Capital to borrow against its future foundation payments. The amount borrowed and repaid was \$909,600, with a balance due \$227,300 at June 30, 2017. The terms of the loan are amounts borrowed are to be repaid over the course of the next three months, therefore the entire amount is due within one year. Total interest paid was \$41,201. The imputed interest rate is 18% per annum.

	<b>Principal Outstanding 6/30/2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 6/30/2017</b>
Charter School Capital	\$ 227,300	\$ 909,600	\$ (909,600)	\$ 227,300

**21. MANAGEMENT'S PLAN REGARDING DEFICIT NET POSITION**

For fiscal year 2017, the School had an operating loss of \$548,404, a decrease in net position of \$110,069, and a cumulative net position deficit of \$2,761,721.

Management continues to take steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the School to return to financial stability.

**Green Inspiration Academy**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net Pension Liability*  
*Last Four Fiscal Years (1)*

---

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>State Teachers Retirement System (STRS)</b>				
School's Proportion of the Net Pension Liability	0.00625989%	0.00567229%	0.00642540%	0.00642540%
School's Proportionate Share of the Net Pension Liability	\$ 2,095,374	\$ 1,567,655	\$ 0	\$ 1,861,692
School's Covered Payroll	\$ 602,100	\$ 797,486	\$ 753,946	\$ 1,071,385
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	348.01%	196.57%	0.00%	173.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<b>School Employees Retirement System (SERS)</b>				
School's Proportion of the Net Pension Liability	0.00558660%	0.00671170%	0.00478800%	0.00478800%
School's Proportionate Share of the Net Pension Liability	\$ 408,887	\$ 382,976	\$ 0	\$ 284,727
School's Covered Payroll	\$ 233,143	\$ 516,684	\$ 122,706	\$ 422,081
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.38%	74.12%	0.00%	67.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Notes:**

**School Employees Retirement System (SERS)**

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

**Green Inspiration Academy**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of School Contributions*  
*Last Ten Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>State Teachers Retirement System (STRS)</b>										
Contractually Required Contribution	\$ 97,174	\$ 84,294	\$ 111,648	\$ 98,013	\$ 139,280	\$ 133,774	\$ 146,974	\$ 145,613	\$ 138,677	\$ 127,717
Contributions in Relation to the Contractually Required Contribution	(97,174)	(84,294)	(111,648)	(98,013)	(139,280)	(133,774)	(146,974)	(145,613)	(138,677)	(127,717)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$ 694,100	\$ 602,100	\$ 797,486	\$ 753,946	\$ 1,071,385	\$ 1,029,031	\$ 1,130,569	\$ 1,120,100	\$ 1,066,746	\$ 982,438
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
<b>School Employees Retirement System (SERS)</b>										
Contractually Required Contribution	\$ 2,915	\$ 32,640	\$ 68,099	\$ 17,007	\$ 58,416	\$ 45,483	\$ 48,623	\$ 59,351	\$ 48,746	\$ 35,372
Contributions in Relation to the Contractually Required Contribution	(2,915)	(32,640)	(68,099)	(17,007)	(58,416)	(45,483)	(48,623)	(59,351)	(48,746)	(35,372)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$ 20,821	\$ 233,143	\$ 516,684	\$ 122,706	\$ 422,081	\$ 338,164	\$ 386,818	\$ 438,338	\$ 495,386	\$ 360,204
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**This page intentionally left blank.**

January 31, 2018

To the Board of Directors  
Green Inspiration Academy  
Cuyahoga County, Ohio  
4265 Northfield Road  
Highland Hills, OH 44128

**Independent Auditor's 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***

We have audited, in accordance with the 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, the financial statements of the Green Inspiration Academy, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 31, 2018, in which we noted that the School had a deficit net position balance of \$2,761,721, including the net effect of net pension liability and related accruals totaling \$2,064,888 that raises substantial doubt about its ability to continue as a going concern.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Cambridge, Ohio





# Dave Yost • Auditor of State

**GREEN INSPIRATION ACADEMY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2018**