Rea & associates a brighter way

C.M. Grant Leadership Academy
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013

Dave Yost • Auditor of State

Board of Directors
C.M. Grant Leadership Academy
2030 Leonard Avenue
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the C.M. Grant Leadership Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 3, 2014

This page intentionally left blank.

C.M. Grant Leadership Academy
Franklin County, Ohio
Table of Contents
June 30, 2013

December 30, 2013

Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2030 Leonard Avenue
Columbus OH 43219

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of C.M. Grant Leadership Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy'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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of C.M. Grant Leadership Academy, Franklin County, Ohio, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion 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 December 30, 2013 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

The management's discussion and analysis of C.M. Grant Leadership Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- In total, net position was ($151,690) in 2013.
- Total assets were $217,412 in 2013.
- Liabilities were $369,102 in 2013.

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 2013?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net position for fiscal years 2013 and 2012:

TABLE 1

	June 30	
	2013	2012
Assets		
Current Assets	$90,080	$92,464
Non-Current Assets	75,300	87,500
Capital Assets - Net	52,032	86,479
Total Assets	217,412	266,443
Liabilities		
Current Liabilities	369,102	129,637
Non-Current Liabilities	0	106,874
Total Liabilities	369,102	236,511
Net Position		
Invested in Capital Assets	52,032	86,479
Unrestricted (Deficit)	(203,722)	(56,547)
Total Net Position	($151,690)	$29,932

Total net position for the Academy decreased $181,622 largely due to a decrease in enrollment. Net Capital Assets decreased due to depreciation of existing assets and no capital additions during the year. Noncurrent assets decreased $12,500 due to the collection of an annual partial security deposit refund from the landlord.

Table 2 shows the changes in net position for fiscal years 2013 and 2012, as well as a listing of revenues and expenses.

TABLE 2

	June 30	
	2013	2012
Operating Revenues		
Foundation Payments	$948,226	$1,448,266
Other Revenues	3,983	31,101
Nonoperating Revenues		
Federal Grants	389,141	392,772
State Grants	9,538	2,075
Contributions and Donations	5,429	205
Total revenue	1,356,317	1,874,419
Operating Expenses		
Purchased Services	1,397,341	1,705,418
Materials and Supplies	57,809	66,856
Depreciation (unallocated)	34,447	49,140
Other expenses	46,361	36,836
Nonoperating Expenses		
Interest	1,981	3,728
Total expenses	1,537,939	1,861,978
Change in Net Position	($181,622)	$12,441

Net position decreased $181,622. Foundation payments decreased $500,040 and Purchased Services expenses decreased $308,077 due to lower student count. Depreciation expense decreased $14,693 due to a number of assets reaching the end of their useful lives before fiscal year end, coupled with no new acquisitions.

Capital Assets

At the end of fiscal year 2013, the Academy had $52,032 invested in furniture, fixtures, and equipment, EDP equipment and software and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2013 and 2012.

TABLE 3

	2013	2012
Furniture, fixtures and equipment	$20,783	$26,785
EDP Equipment and Software	16,226	37,741
Non-EDP Equipment	5,485	7,845
Leasehold Improvements	9,535	14,108
Total Capital Assets	$52,032	$86,479

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

Debt

On June 30, 2009, the Academy received a $71,000 note from its management company (The Leona Group). Principal payments of $16,064 were made during the fiscal year, resulting in an ending balance of $3,310. The entire balance is recorded as a note payable.

On June 12, 2008, the Academy received a $150,000 note from its management company (The Leona Group). No payments were made during 2013. The balance is $87,500. The entire balance is recorded as a note payable.

On October 2, 2012, the Academy received a $100,000 loan from RBS Citizens that was repaid in full during the fiscal year.

The Academy further received short-term loans from their management company (The Leona Group) throughout the fiscal year totaling $22,675. $7,175 was repaid by fiscal year end leaving a balance of $15,500. The short-term loans have no terms as to repayment and is part of the balance due to the management company reflected in Notes Payable.

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

Current Financial Issues

C.M. Grant Leadership Academy was formed in 2007 under a contract with the St. Aloysius Orphanage. During the 2012-2013 school year there were 137 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2013 amounted to $948,226.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of C.M. Grant Leadership Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Net Position
June 30, 2013

Assets	
Current Assets:	
Cash and Cash Equivalents	$1,471
Intergovernmental Receivables	88,609
Total Current Assets	90,080
Non-Current Assets:	
Security Deposit	75,000
Other Deposit	300
Capital Assets:	
Depreciable Capital Assets, Net	52,032
Total Non-Current Assets	127,332
Total Assets	217,412
Liabilities	
Current Liabilities:	
Accounts Payable	66,090
Accounts Payable - Related Party	32,185
Intergovernmental Payable	229
Notes Payable	106,310
Contracts Payable	164,263
Accrued Interest Payable	25
Total Liabilities	369,102
Net Position	
Invested in Capital Assets	52,032
Unrestricted (Deficit)	(203,722)
Total Net Position	($151,690)

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

Operating Revenues	
Foundation Payments	$948,226
Other Revenues	3,983
Total Operating Revenues	952,209
Operating Expenses	
Purchased Services (Note 10)	1,397,341
Materials and Supplies	57,809
Depreciation	34,447
Other	46,361
Total Operating Expenses	1,535,958
Operating Loss	(583,749)
Non-Operating Revenues and Expenses	
Federal Grants	389,141
State Grants	9,538
Contributions and Donations	5,429
Interest and Fiscal Charges	(1,981)
Total Non-Operating Revenues and Expenses	402,127
Change in Net Position	(181,622)
Net Position Beginning of Year	29,932
Net Position End of Year	($151,690)

See accompanying notes to the basic financial statements.

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

Decrease in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$950,403
Cash Received from Other Operating Revenues	5,964
Cash Payments to Suppliers for Goods and Services	(1,360,723)
Net Cash Used for Operating Activities	(404,356)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	379,638
State Grants Received	5,917
Contributions and Donations	5,429
Return of Deposit	12,200
Proceeds of Short Term Loans	22,675
Repayment of Short-Term Loans	(7,175)
Proceeds from Notes	100,000
Principal Payments	(116,064)
Interest Payments	(1,956)
Net Cash Provided by Noncapital Financing Activities	400,664
Net Decrease in Cash and Cash Equivalents	(3,692)
Cash and Cash Equivalents at Beginning of Year	5,163
Cash and Cash Equivalents at End of Year	$1,471

(Continued)

C.M. Grant Leadership Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	($583,749)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	34,447
Changes in Assets and Liabilities:	
(Increase)/Decrease in Intergovernmental Receivable	(4,158)
(Increase)/Decrease in Prepaid Items	15,973
Increase/(Decrease) in Accounts Payable	49,215
Increase/(Decrease) in Accounts Payable-Related Party	(27,417)
Increase/(Decrease) in Intergovernmental Payable	229
Increase/(Decrease) in Contracts Payable	111,104
Total Adjustments	179,393
Net Cash Used by Operating Activities	($404,356)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period commencing June 23, 2010 and ending June 30, 2013. A one-year extension was executed on May 3, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by two non-certified personnel and ten certificated teachers who provide services to 137 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2013.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets, except for leasehold improvements which are depreciated over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Operating Revenues and Expenses

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

H. Estimates

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

I. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $150,000 less a $75,000 refund, is held by the lessor. (See Note 11)

3. DEPOSITS

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

A. Custodial Credit Risk of Bank Deposits

At June 30, 2013, the carrying value of all deposits was $1,471.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of $4,205 was fully insured by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2013 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	
Title I	$10,749
Title I SIG	49,564
Race to the Top	6,932
Title I Carryover from Prior Years	457
IDEA	6,197
Casino Tax Revenue	3,621
Medicaid Ohio Health Plan	2,260
STRS/SERS overdeducted from State Aid	8,713
Vendor Refund	115
Total	$88,609

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$42,006	$0	$0	$42,006
EDP Equipment and Software	102,877	0	0	102,877
Non-EDP Equipment	14,168	0	0	14,168
Leasehold Improvements	38,231	0	0	38,231
Total Capital Assets Being Depreciated	197,282	0	0	197,282
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(15,221)	(5,999)	0	(21,220)
EDP Equipment and Software	(65,136)	(21,515)	0	(86,651)
Non-EDP Equipment	(6,323)	(2,360)	0	(8,683)
Leasehold Improvements	(24,123)	(4,573)	0	(28,696)
Total Accumulated Depreciation	(110,803)	(34,447)	0	(145,250)
Total Capital Assets Being Depreciated, Net	$86,479	($34,447)	$0	$52,032

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 2013, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	
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 & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property	150,000
BI	101,000
Umbrella	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previously year.

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,

7. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

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, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were $11,080, $17,177, and $18,398 respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio

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

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

A DB Plan or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.
The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were $48,580, $61,208, and $47,570 respectively; 100 percent has been contributed for all years.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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 2013 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 2013, the actuarially required allocation is .74%. The Academy's contributions for the years ended June 30, 2013, 2012, and 2011 were $626, $1,014, and $1,184 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, 2013, the health care allocation is .16%. 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 2013, the minimum compensation level was established at $20,525. 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, 2013, 2012, and 2011 were $2,088, $3,098, and $5,666 respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 2013, 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, 2013, 2012, and 2011 were $3,737, $4,708, and $3,659 respectively. 100 percent has been contributed for all years.

9. CONTINGENCIES

A. 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, 2013.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. Results of the review of state funding for fiscal year 2013 are not available as of this writing.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2013, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$454,702
Fringe Benefits	168,565
Other Professional Fees	168,213
The Leona Group, LLC	161,636
Legal Fees	1,417
St. Aloysius	28,447
Garbage Removal and Cleaning	21,821
Repairs and Maintenance	13,620
Facility Rental	197,030
Other Rentals and Leases	5,245
Communications	14,755
Advertising	8,147
Utilities	29,443
Contracted Food Service	90,885
Pupil Transportation	33,415
Total Purchased Services	$1,397,341

11. OPERATING LEASES

The Academy has entered into a lease for the period August 11, 2008 through July 31, 2013 with Millworks, PTR, LLC. An amendment was signed on August 1, 2010 extending the term of the lease to July 31, 2015, and providing for a release of $75,000 of the security deposit over the term of the lease. The remaining $25,000 is non-refundable. Payments to Millworks totaled $197,030 for the fiscal period. The lease is automatically extended on a year-to-year basis. The annual Base Rent for the extended term shall be equal to the rent for the immediate prior year adjusted by the increase in the per-pupil funding from the State of Ohio.

On September 25, 2013 the lease was amended to modify the student count benchmarks and associated monthly rent.

11. OPERATING LEASES (continued)

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2013 (adjusted to reflect the aforementioned amendment).

Fiscal Year Ending June 30,	Facility Lease
2014	146,500
2015	132,000
2016	11,000
Total minimum lease payments	$289,500

12. NOTES PAYABLE

Debt activity during 2013 was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Note Payable – The Leona Group 1	$87,500	$0	$0	$87,500
Note Payable – The Leona Group 2	19,374	0	16,064	3,310
Note Payable – RBS Citizens	0	100,000	100,000	0
Note Payable – Short Term Loans	0	22,675	7,175	15,500
Total	$106,874	$122,675	$123,239	$106,310

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

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

Both of the Notes Payable to The Leona Group were due as of 6/30/2013; however, The Leona Group does not consider the Academy to be in default and has allowed the Academy to make payments on the notes as resources become available. There were no penalties or other additional fees assessed against the Academy.

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

The Leona Group extended short term, unsecured loans to the Academy totaling $22,675 during the fiscal year to alleviate temporary cash flow deficiencies. There are no signed agreements and no interest charges associated with these loans, and they are repaid at The Leona Group's discretion as funds become available. The balance outstanding at 6/30/2013 was $15,500.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, with automatic 1-year extensions with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The Academy incurred capitation fees of $161,636 for the 2013 fiscal year.

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

A. implementation and administration of the educational program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

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

Expenses	2013
Salaries and Wages	$454,702
Employee Benefits	168,565
Professional and Technical Services	19,761
Advertising	37
Contracted Craft or Trade Service	878
Other Supplies	6,255
Other Direct Costs	1,567
Total Expenses	$ 651,764

At June 30, 2013, the Academy had a balance due to The Leona Group, LLC in the amount of $164,263. This consists mostly of outstanding management fees, the final payroll of the fiscal year, and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Accounts Payable - Related Party	$10,396
Payroll	100,966
Management Fees	52,901
Total Expenses	$164,263

14. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens, NA on August 29, 2013 with a maturity date of June 30, 2014. This agreement provided the Academy with $200,000 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.

15. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

For the fiscal year ended June 30, 2013, the Academy has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*" and GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

December 30, 2013

To the Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2030 Leonard Avenue
Columbus, OH 43219

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 C.M. Grant Leadership Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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.

New Philadelphia, Ohio

Rea & associates a brighter way

December 30, 2013

To Board of Directors
C.M. Grant Leadership Academy
Franklin County, Ohio
2030 Leonard Avenue
Columbus, Ohio 43219

Independent Accountant's Report on Applying Agreed-Upon Procedure

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether C.M. Grant Leadership Academy, Franklin County, Ohio has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on May 23, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Rea & Associates, Inc.

New Philadelphia, Ohio

CPAs and business consultants
www.reacpa.com

Dave Yost • Auditor of State

C.M. GRANT LEADERSHIP ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 13, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov