



Dave Yost • Auditor of State

ALBERT EINSTEIN ACADEMY OF LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Albert Einstein Academy for Letters, Arts and Sciences
Cuyahoga County
3550 Crocker Road
Westlake, Ohio 44145

To the Board of Overseers:

Report on the Financial Statements

We have audited the accompanying financial statements of the Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio (the Academy), as of and for the initial year of operations ended June 30, 2014, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio as of June 30, 2014, and the changes in its financial position and its cash flows for the initial year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2015

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES

Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

As management of Albert Einstein Academy for Letters, Arts and Sciences (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the Academy are as follows:

- The liabilities of the Academy exceeded its assets at the close of the most recent fiscal year by \$145,789 (negative net position).
- The Academy's total assets were \$21,680 and total liabilities were \$167,469 at end of the fiscal year.
- The Academy was able to open without the aid of any state or federal start-up grants.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

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

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

This statement reports the Academy's net position; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES

Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 1 provides a summary of the Academy's net position at June 30, 2014.

Table 1
Net Position at Year End

	<u>2014</u>
Assets:	
Current Assets	\$ 21,680
Total Assets	<u>21,680</u>
Liabilities:	
Current Liabilities	<u>167,469</u>
Total Liabilities	<u>167,469</u>
Net Position:	
Unrestricted	<u>(145,789)</u>
Total Net Position	<u>\$ (145,789)</u>

Fiscal year 2014 was the first year of operations. In future years, a comparative analysis will be presented.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES

Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2014.

Table 2
Changes in Net Position

	<u>2014</u>
Operating Revenues:	
Foundation Payments	\$ 739,291
Total Operating Revenues	<u>739,291</u>
Operating Expenses:	
Purchased Services	814,616
Materials and Supplies	94,538
Other	5,122
Total Operating Expenses	<u>914,276</u>
Operating Loss	<u>(174,985)</u>
Nonoperating Revenues	
Federal and State Grants	13,572
Contributions and Donations	3,919
Other Non-Operating Revenue	11,705
Total Nonoperating Revenues	<u>29,196</u>
Change in Net Position	(145,789)
Net Position, Beginning of Year	-
Net Position, End of the Year	<u>\$ (145,789)</u>

Fiscal year 2014 was the first year of operations. In future years, a comparative analysis will be presented.

ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES

Cuyahoga County
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Capital Assets

The Academy did not have any capital assets as of June, 30 2014.

Debt

The Academy did not have any debt as of June, 30 2014.

Current Financial Issues

The Academy is dependent upon legislative and governmental support to fund ongoing operations. The Academy is expected to grow in both the number of students and support staff as it enters the second year of operation, which will impact the Academy's funding since the Academy receives a majority of its financial support from per student state foundation payments.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Albert Einstein Academy for Letters, Arts and Sciences and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Albert Einstein Academy for Letters, Arts and Sciences, 3550 Crocker Road, Westlake, OH 44145.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets:

Current Assets	
Cash and Cash Equivalents	\$ 8,108
Intergovernmental Receivable	13,572
Total Current Assets	<u>21,680</u>
Total Assets	<u><u>21,680</u></u>

Liabilities:

Current Liabilities	
Accounts Payable	167,469
Total Current Liabilities	<u>167,469</u>
Total Liabilities	<u><u>167,469</u></u>

Net Position:

Unrestricted	(145,789)
Total Net Position	<u><u>\$ (145,789)</u></u>

See accompanying notes to the basic financial statements.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

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

Operating Revenues:	
Foundation Payments	\$ 739,291
Total Operating Revenues	<u>739,291</u>
 Operating Expenses:	
Purchased Services	814,616
Materials and Supplies	94,538
Other	5,122
Total Operating Expenses	<u>914,276</u>
 Operating Loss	 <u>(174,985)</u>
 Non-Operating Revenues:	
Federal and State Grants	13,572
Contributions and Donations	3,919
Other Non-Operating Revenue	11,705
Total Non-Operating Revenues	<u>29,196</u>
 Change in Net Position	 (145,789)
 Net Position Beginning of Year	 -
Net Position End of Year	<u><u>\$ (145,789)</u></u>

See accompanying notes to the basic financial statements.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYAHOGA COUNTY**

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

Cash Flows from Operating Activities:	
Received from Foundation Payments	\$ 739,291
Payments to Suppliers for Goods and Services	(741,685)
Payments to Other	<u>(5,122)</u>
Net Cash Used for Operating Activities	<u>(7,516)</u>
Cash Flows from Noncapital Financing Activities:	
Received from Contributions and Donations	3,919
Other Non-Operating Receipts	<u>11,705</u>
Net Cash Provided by Noncapital Financing Activities	<u>15,624</u>
Net Increase in Cash and Cash Equivalents	8,108
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,108</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (174,985)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	<u>167,469</u>
Net Cash Used for Operating Activities	<u>\$ (7,516)</u>

See accompanying notes to the basic financial statements.

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**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Albert Einstein Academy for Letters, Arts and Sciences (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under a five-year contract with the North Central Ohio Educational Service Center (the Sponsor) commencing July 1, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration (Note 7).

The Academy also entered into service agreements with North Central Ohio Educational Service Center (NCOESC) and MAC Financial Services to provide certain financial and accounting services, including performing all duties required of the Treasurer of the Academy (Note 8).

The Academy operates under the direction of a five-member Board of Overseers. The Board of Overseers is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Overseers controls the Academy's one instructional/support facility which provide services to 102 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

In accordance with Ohio Revised Code Section 5705.391(A), the Academy is required to submit a five-year forecast to the Ohio Department of Education. In addition, the Academy is required to submit a financial plan detailing the estimated revenues and expenses to the Sponsor each fiscal year.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds. All highly liquid investments, with purchased maturities of three months or less are considered to be cash equivalents.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

The Academy had no capital assets exceeding the threshold during fiscal year 2014.

G. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. The Academy has no deferred outflows of resources, deferred inflows of resources, capital assets or debt at fiscal year-end.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. 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 from the State. 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.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 3 – DEPOSITS

At June 30, 2014, the carrying amount of the Academy’s deposits was \$8,108 and the bank balance was \$24,278. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, the Academy’s bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

Funding Source	Amount
Federal Grants:	
Title VI-B (IDEA-B)	\$ 9,519
Title I	4,053
Total Intergovernmental Receivables:	\$ 13,572

NOTE 5 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Academy contracted with Great American Insurance Company for general liability, property insurance, educational errors and omissions insurance.

Coverages are as follows:

Employers’ Liability	\$ 1,000,000
Automobile Liability	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded commercial coverage in the past year.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 6 – PURCHASED SERVICES

During the fiscal year ended June 30, 2014, other purchased service expenses for services rendered by various vendors were as follows:

Educational Services	\$ 217,200
Special Education Consultant	55,790
Sponsor Fees	16,241
Professional Development	2,010
Payroll Services	332,868
Utilities	25,592
Management Services	43,372
Advertising	4,149
Repairs and Maintenance	24,288
Rentals	84,000
Other Purchased Services	9,106
Total	<u>\$ 814,616</u>

NOTE 7 – SPONSORSHIP SERVICES

The Academy is a party to a sponsorship services agreement with North Central Ohio Educational Service Center (NCOESC). The Agreement provides that NCOESC will perform the following services:

1. Monitor the Academy's compliance with all applicable laws;
2. Conduct comprehensive site visits to the Academy as necessary, but at least twice annually while classes are in session, and make written reports of all information obtained during such site visits, which shall be provided to the Ohio Department of Education upon request;
3. Monitor and evaluate the academic and fiscal performance and the organization and operation of the School on at least an annual basis;
4. Submit a written report of evaluation conducted to the parents of students enrolled and to the Department of Education by November 30th of each year;
5. Provide technical assistance to the Academy in complying with all laws;
6. Comply with the financial reporting requirements established by the Department of Education, and report the Academy's financial records in accordance with applicable accounting standards as prescribed by law; and
7. Notify the Department of Education within 24 hours of the Academy's failure to comply with an applicable law or contract requirement, as well as any other financial difficulties, under certain circumstances.

The Academy shall pay to the Sponsor a sponsorship fee equal to 3% of the total state foundation payment, based upon student enrollment, received by the Academy. In fiscal year 2014, the Academy paid approximately \$21,826 for sponsorship services.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 8 – CONTRACTED FISCAL SERVICES

The Academy is a party to a fiscal services agreement with North Central Ohio Educational Service Center (NCOESC) and Charter School Management Corporation (CSMC). The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that NCOESC and CSMC will jointly perform the following services:

1. Fiscal Services
2. Personnel Services
3. EMIS/SOES Services
4. External/Internal Reporting Services

The Academy made payments of \$511,670 to NCOESC and \$2,500 to CSMC during fiscal year 2014 and had a liability to NCOESC for services of \$143,311 as of June, 30, 2014.

In addition, the Academy contracted with MAC Financial Services for fiscal officer services starting November 1, 2013. The Academy paid \$11,217 to MAC Financial Services in fiscal year 2014 and had a liability of \$1,600 to MAC Financial Services at fiscal year-end. The contract with MAC Financial Services was terminated on July 31, 2014.

NOTE 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 Academy. The effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of management, and such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at fiscal year-end.

b. State Funding

The Ohio Department of Education conducts reviews of enrollment data and Full Time Equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2013-2014 school year; however, the conclusion of this review did not have a material effect on the financial statements.

**ALBERT EINSTEIN ACADEMY FOR LETTERS, ARTS AND SCIENCES
CUYHOGA COUNTY**

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

NOTE 10 – OPERATING LEASE

On May 7th, 2013, North Central Ohio Educational Service Center (NCOESC) entered into a lease agreement with Church on the Rise, Inc. for space located at 3550 Crocker Road, Westlake, Ohio. The term of the leased commenced on July 1, 2013 and continues through July 31, 2023.

Also on May 7th, 2013, the Academy entered into a sublease agreement with NCOESC under the same terms and conditions of the lease agreement noted above. Starting in November 2013, the Academy paid \$10,000/month in rent. Payments during fiscal year 2014 totaled \$80,000.

NOTE 11 – CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the Academy to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the Academy.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Albert Einstein Academy for Letters, Arts and Sciences
Cuyahoga County
3550 Crocker Road
Westlake, Ohio 44145

To the Board of Overseers:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Albert Einstein Academy for Letters, Arts and Sciences, Cuyahoga County, Ohio (the Academy) as of and for the initial year of operations ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2015



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Albert Einstein Academy for Letters, Arts and Sciences
Cuyahoga County
3550 Crocker Road
Westlake, Ohio 44145

To the Board of Overseers:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Albert Einstein Academy for Letters, Arts and Sciences (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy on August 13, 2013. We read the policy, noting it includes all the requirements listed in Ohio Rev. Code 3313.666.

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 Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2015

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Dave Yost • Auditor of State

ALBERT EINSTEIN ACADEMY FOR LETTERS' ARTS AND SCIENCES

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**