

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY
REGULAR AUDIT
JULY 1, 2015 – JUNE 30, 2016**





Dave Yost • Auditor of State

Board of Directors
Global Impact Stem Academy
700 S. Limestone St.
Springfield, OH 45505

We have reviewed the *Independent Auditor's Report* of the Global Impact Stem Academy, Clark County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Global Impact Stem Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 31, 2017

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**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY**

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Global Impact STEM Academy
Clark County
700 S. Limestone Street
Springfield, Ohio 45505

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Global Impact STEM Academy, Clark County, Ohio (the Academy), as of and for the fiscal year ended June 30, 2016, 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 such 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 Global Impact STEM Academy, Clark County as of June 30, 2016, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Global Impact STEM Academy
Clark County
Independent Auditor's Report

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 December 5, 2016 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.

Wilson, Shuman & Snow, Inc.

December 5, 2016
Newark, Ohio

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Global Impact STEM Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance. The Academy began accepting students and State Foundation revenue in July of 2013 and fiscal year 2014 was the first year of the Academy's operations.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Net position at June 30, 2016 was \$1,035,611, including unrestricted net position of \$748,454. This represents an increase of \$7,723 compared to the prior fiscal year's net position.
- The Academy had total revenues of \$2,627,085, including operating revenues of \$2,322,577 and non-operating revenues of \$304,508; these revenues supported operating expenses of \$2,618,046 and non-operating expenses of \$1,316 during fiscal year 2016.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2016?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and 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. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-20 of this report.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below provides a summary of the Academy's net position at June 30, 2016 and June 30, 2015.

Net Position		
	2016	2015
<u>Assets</u>		
Current assets	\$ 1,034,414	\$ 1,070,193
Capital assets, net	306,775	99,690
Total assets	1,341,189	1,169,883
<u>Liabilities</u>		
Current liabilities	279,403	138,800
Long-term liabilities	26,175	3,195
Total liabilities	305,578	141,995
<u>Net position</u>		
Net investment in capital assets	280,938	99,690
Restricted	6,219	5,501
Unrestricted	748,454	922,697
Total net position	\$ 1,035,611	\$ 1,027,888

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Academy's assets exceeded liabilities by \$1,035,611. Of this total, \$6,219 is restricted in use and \$748,454 is unrestricted.

Assets

Current and other assets consist primarily of cash and cash equivalents. Current assets also include receivables and prepayments. The Academy's capital assets at June 30, 2016 are leasehold improvements and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending; therefore, the Academy's investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist of accounts and intergovernmental payables and the current portion of the Academy's capital lease obligations. Intergovernmental payables are primarily amounts owed to the Educational Service Center Council of Governments. Non-current liabilities at June 30, 2016 consist of capital leases and a long-term intergovernmental payable.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The following table shows the changes in net position for fiscal years 2016 and 2015.

Change in Net Position

	2016	2015
<u>Operating revenues:</u>		
State Foundation	\$ 2,267,132	\$ 1,241,258
Tuition and fees	38,258	32,213
Sales and charges for services	15,558	17,985
Miscellaneous	1,629	1,011
Total operating revenues	2,322,577	1,292,467
<u>Operating expenses:</u>		
Purchased services	2,192,757	1,211,189
Materials and supplies	348,851	482,307
Other	20,077	20,526
Depreciation	56,361	8,893
Total operating expenses	2,618,046	1,722,915
<u>Non-operating revenues (expenses):</u>		
Federal, State and local grants	256,999	383,540
Interest earnings	86	91
Contributions and donations	47,423	105,711
Interest and fiscal charges	(1,316)	-
Total non-operating revenues	303,192	489,342
Change in net position	7,723	58,894
Net position at the beginning of the fiscal year	1,027,888	968,994
Net position at the end of the fiscal year	\$ 1,035,611	\$ 1,027,888

As the preceding table illustrates, the Academy's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The Academy's FTE went from 140 in 2015 to 248 in fiscal year 2016, leading to an increase in Foundation funding. Foundation revenue accounted for 97.6% of operating revenues and 86.3% of all revenues for fiscal year 2016. The Academy's second largest source of revenue is grants from Federal, State and local sources. The decrease in these revenues is mostly related to the College Ready Ohio Straight A Grant which is a two year grant that was primarily received in fiscal year 2015.

The main component of expenses for the Academy is purchased services, which accounted for 83.7% of all expenses in fiscal year 2016. These expenses consist primarily of professional and technical services, including payments made under the Academy's services contract with the Educational Service Center Council of Governments. Refer to Note 9 in the notes to the basic financial statements for additional detail on the components of purchased services expenses. Materials and supplies expense represents the second largest category of expenses, accounting for 13.3% of total expenses in fiscal year 2016. These expenses were higher in 2015 due to the purchase of additional laptops and computers.

**GLOBAL IMPACT STEM ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets

At June 30, 2016, the Academy's capital assets consist of leasehold improvements and furniture and equipment in the amount of \$306,775 (net of accumulated depreciation). Capital asset acquisitions in fiscal year 2016 were \$263,446, and the Academy recognized \$56,361 in depreciation expense. Refer to Note 6 in the notes to the basic financial statements for detail on the Academy's capital assets.

Debt Administration

The only long-term debt outstanding for the Academy is a capital lease obligation which was entered into during fiscal year 2016 in order to acquire copiers. At June 30, 2016, the balance of the lease is \$25,837, of which \$5,984 is due within one year. See Note 7 to the notes to the basic financial statements for detail on the lease.

Current Issues

The Academy receives approximately 97.6% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The Academy's allocation for fiscal year 2017 is approximately \$2.94 million.

The Academy has entered into an agreement with the Ohio Facilities Construction Commission to finance building renovations. The total budget for the project is \$12,607,688, of which \$6,303,844 is the State's share and \$6,303,844 is the Academy's share. The project commenced in September 2016.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tammy Rizzo, Treasurer of the Global Impact STEM Academy, 2080 Citygate Drive, Columbus, Ohio 43219.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 999,122
Receivables:	
Accounts	6,427
Intergovernmental	21,113
Prepayments	<u>7,752</u>
Total current assets.	<u>1,034,414</u>
Non-current assets:	
Depreciable capital assets, net	<u>306,775</u>
Total assets	<u>1,341,189</u>
Liabilities:	
Current liabilities:	
Accounts payable.	4,380
Capital leases payable	5,984
Intergovernmental payable	<u>269,039</u>
Total current liabilities	<u>279,403</u>
Non-current liabilities:	
Intergovernmental payable	6,322
Capital leases payable	<u>19,853</u>
Total non-current liabilities	<u>26,175</u>
Total liabilities	<u>305,578</u>
Net position:	
Net investment in capital assets.	280,938
Restricted for locally funded programs.	6,219
Unrestricted.	<u>748,454</u>
Total net position	<u>\$ 1,035,611</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
State Foundation	\$ 2,267,132
Tuition and fees.	38,258
Sales and charges for services	15,558
Miscellaneous	1,629
Total operating revenues	<u>2,322,577</u>
Operating expenses:	
Purchased services	2,192,757
Materials and supplies.	348,851
Other	20,077
Depreciation	56,361
Total operating expenses	<u>2,618,046</u>
Operating loss.	<u>(295,469)</u>
Non-operating revenues (expenses):	
Federal, State and local grants.	256,999
Interest revenue	86
Contributions and donations	47,423
Interest and fiscal charges.	(1,316)
Total nonoperating revenues	<u>303,192</u>
Change in net position.	7,723
Net position at beginning of fiscal year	<u>1,027,888</u>
Net position at end of fiscal year.	<u><u>\$ 1,035,611</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from State Foundation	\$ 2,290,259
Cash received from tuition and fees	40,688
Cash received from sales and charges for services	15,644
Cash received from miscellaneous sources	1,629
Cash payments for purchased services	(2,097,789)
Cash payments for materials and supplies	(353,098)
Cash payments for other expenses	(23,000)
	(125,667)
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Cash received from Federal, State and local grants	275,880
Cash received from contributions and donations	47,423
	323,303
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(1,316)
Principal retirement on capital lease	(5,824)
Acquisition of capital assets	(231,785)
	(238,925)
Net cash used in capital and related financing activities	
Cash flows from investing activities:	
Interest received	86
	86
Net cash provided by investing activities	
Net decrease in cash and cash equivalents	(41,203)
Cash and cash equivalents at beginning of fiscal year	1,040,325
Cash and cash equivalents at end of fiscal year	\$ 999,122
	\$ 999,122
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (295,469)
Adjustments:	
Depreciation	56,361
Changes in assets and liabilities:	
Decrease in accounts receivable	731
Increase in intergovernmental receivable	(20,958)
Increase in prepayments	(4,078)
Decrease in accounts payable	(4,432)
Increase in intergovernmental payable	142,178
	142,178
Net cash used in operating activities	\$ (125,667)
	\$ (125,667)

Non-cash transactions:

The Academy entered into a capital lease agreement during fiscal year 2016, in the amount of \$31,661.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Global Impact STEM Academy (the “Academy”) is a legally separate nonprofit corporation served by an appointed fourteen-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. Founded in 2013 in Springfield, Ohio, the Academy was created to address industry challenges and solutions that students can tackle to solve the issues of tomorrow (and today). The Academy delivers an innovative and relevant curriculum through an interdisciplinary, project-driven school day. Equipped with their own unique skill-sets, our students are then plugged into post-secondary institutions and organizations throughout the state in fields of bioscience, energy, environment, agriculture, and more. The Academy offers education for children in the ninth through eleventh grade and expects to expand to seventh through twelfth.

The Academy has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Academy’s Governing Board advises and assists the school staff on curriculum, school evaluation and research, professional development, funding and community relations. Fourteen members serve on the Governing Board, including representatives from Clark State Community College, Wright State University, Springfield City Schools, Turner Foundation, Clark County Farm Bureau, Dayton Development Coalition, and local business entrepreneurs. The Academy’s director and staff oversee the day-to-day operations of the school.

The Academy has entered into a service agreement with the Educational Service Center Council of Governments (ESCCOG) (See Note 11).

Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Academy's significant 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 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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

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. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures 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, STEM Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the Academy to prepare a five-year projection.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Academy is pooled in a central bank account. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Academy had no investments during the fiscal year ended June 30, 2016.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2016 consisted of leasehold improvements and furniture and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal 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. The Academy does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 3-20 years for furniture and equipment and 5 years for leasehold improvements.

H. Net Position

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated.

The remaining grants and entitlements received by the Academy 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 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.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The Academy had no extraordinary or special items during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the Academy's financial statements.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the Academy's financial statements.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the Academy's financial statements.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the Academy's financial statements.

NOTE 4 - DEPOSITS

Monies held by the Academy are classified by State statute into three categories.

Active monies are public deposits determined to be necessary to meet current demands upon the Academy treasury. Active monies must be maintained either as cash in the Academy Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**GLOBAL IMPACT STEM ACADEMY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Academy, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2016, the carrying amount of all Academy deposits was \$999,122. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$766,958 of the Academy's bank balance of \$1,016,958 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016 consist of tuition and fees for services provided, reimbursements and intergovernmental grants and entitlements. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The intergovernmental receivable of \$21,113 is comprised as follows:

Intergovernmental receivables:	
State Foundation Program	\$ 20,958
Improving Teacher Quality Grant	<u>155</u>
Total	<u>\$ 21,113</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16
Capital assets, being depreciated:				
Leasehold improvements	\$ -	\$ 169,800	\$ -	\$ 169,800
Furniture and equipment	<u>112,649</u>	<u>93,646</u>	<u>-</u>	<u>206,295</u>
Total capital assets being depreciated	<u>112,649</u>	<u>263,446</u>	<u>-</u>	<u>376,095</u>
Less: accumulated depreciation				
Leasehold improvements	-	(25,470)	-	(25,470)
Furniture and equipment	<u>(12,959)</u>	<u>(30,891)</u>	<u>-</u>	<u>(43,850)</u>
Total accumulated depreciation	<u>(12,959)</u>	<u>(56,361)</u>	<u>-</u>	<u>(69,320)</u>
Capital assets, net	<u>\$ 99,690</u>	<u>\$ 207,085</u>	<u>\$ -</u>	<u>\$ 306,775</u>

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE

During fiscal year 2016 the Academy entered into a lease agreement to acquire copiers which meets the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$31,661, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Accumulated depreciation on the equipment at June 30, 2016 was \$3,166, leaving a book value of \$28,495.

Principal and interest payments in fiscal year 2016 were \$5,824 and \$1,316, respectively. The following is a schedule of the future long-term minimum lease payments required under the leases and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2017	\$ 7,140
2018	7,140
2019	7,140
2020	<u>7,140</u>
Total minimum lease payments	28,560
Less: amount representing interest	<u>(2,723)</u>
Present value of minimum lease payments	<u>\$ 25,837</u>

The following is a summary of the Academy's capital lease activity in fiscal year 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	\$ -	\$ 31,661	\$ (5,824)	\$ 25,837	\$ 5,984

NOTE 8 - INTERGOVERNMENTAL PAYABLE

The following is a summary of the Academy's intergovernmental payable activity in fiscal year 2016:

A. Compensated Absences

The Academy's employees are employed by the Educational Service Center Council of Governments (ESCCOG). Sick and vacation leave payouts for these employees are paid by the ESCCOG and subsequently reimbursed by the Academy. The intergovernmental payable reported as a long-term obligation represents the sick and vacation leave balances for the Academy's employees in accordance with GASB Statement No. 16. Below is the net change in this liability for fiscal year 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Intergovernmental payable	\$ 29,447	\$ 18,025	\$ (26,252)	\$ 21,220	\$ 14,898

**GLOBAL IMPACT STEM ACADEMY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - INTERGOVERNMENTAL PAYABLE - (Continued)

B. Other Intergovernmental Payables

The following is a summary of other intergovernmental payables incurred by the Academy for fiscal year 2016:

<u>Description</u>	<u>Amount</u>
Payable to ESCCOG	\$ 161,162
Year-End FTE Adjustment Payable to the Ohio Department of Education	44,604
College Student Costs Payable to Clark State Community College	36,000
Miscellaneous Payables	<u>12,375</u>
Total	<u>\$ 254,141</u>

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2016, purchased services expenses were as follows:

Professional and technical services *	\$ 1,721,023
Property services	55,296
Travel mileage and meetings	6,644
Communications	92,905
Utilities	36,005
Contracted craft or trade	1,430
Tuition	32,166
Pupil transportation services	6,305
Other	<u>240,983</u>
Total	<u>\$ 2,192,757</u>

* Professional and technical services includes \$1,514,717 in salary and benefit related expenses specific to Academy employees who are employed by the Educational Service Center Council of Governments.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2016, the Academy had commercial general liability and terrorism coverage through Brower Insurance. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in coverage for fiscal year 2015 or 2016.

NOTE 11 - SERVICE AGREEMENT

The Academy entered into a service contract with the ESCCOG for fiscal year 2016 to provide fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. The ESCCOG shall perform the following services for the Academy:

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - SERVICE AGREEMENT - (Continued)

- Month End Accounting
- Accounts Payable/Receivable
- Payroll
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping
- Ohio Facilities Construction Commission Fiscal Services

NOTE 12 - CONTINGENCIES

C. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2016.

D. State Foundation Funding

The Ohio Department of Education (ODE) 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. As a result of the review after fiscal year-end, the Academy owed a net amount of \$23,646 to ODE, which is reported on the financial statement as an intergovernmental receivable of \$20,958 and an intergovernmental payable of \$44,604. These amounts will be received/paid by increasing/decreasing fiscal year 2017 Foundation revenues.

E. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2016.

NOTE 13 - OPERATING LEASE - LESSEE DISCLOSURE

Effective July 1, 2015, the Academy entered into a lease to rent a building from the Springfield City School District. The initial lease term is twenty years, with automatic one year renewals after the initial term, unless either party provides written notice of termination at least eighteen months prior to the end of the initial term, or at least six months prior to the end of the then current renewal period, as applicable.

**GLOBAL IMPACT STEM ACADEMY
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - OPERATING LEASE - LESSEE DISCLOSURE - (Continued)

Lease payments in fiscal year 2016 totaled \$48,387. The following is a schedule of the future minimum payments required under the next two fiscal years of the lease:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2017	\$ 50,000
2018	<u>75,000</u>
Total future minimum payments	<u>\$ 125,000</u>

The required lease payments in fiscal years 2019 and 2020 are dependent on (a) the Academy determining, in its sole discretion, that it has sufficient enrollment to require a significant expansion of its space in the building, and (b) the Academy completing certain improvements to the building as to be agreed between the Academy and the lessor. The annual rent for fiscal years 2019 and 2020 will be \$250,000 if the conditions are met, or \$150,000 if the conditions are not met. Rent for the remainder of the initial term of the lease will be determined every three fiscal years by the Academy and lessor, with the condition that any increase in rent will be limited based on the change in the Consumer Price Index.

NOTE 14 - SUBSEQUENT EVENT

On August 12, 2016 the Academy entered into an agreement with the Ohio Facilities Construction Commission to finance building renovations. The total budget for the project is \$12,607,688, of which \$6,303,844 is the State's share and \$6,303,844 is the Academy's share. The project commenced in September 2016.



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

Global Impact STEM Academy
Clark County
700 S. Limestone Street
Springfield, Ohio 45505

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Global Impact STEM Academy, Clark County, (the Academy) as of and for the fiscal year ended June 30, 2016, 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 5, 2016.

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 Entity'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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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.

Wilson, Shuman & Snow, Inc.

December 5, 2016
Newark, Ohio



Dave Yost • Auditor of State

GLOBAL IMPACT STEM ACADEMY

CLARK 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 14, 2017**