

UBAH Math and Reading Preparatory Academy Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013



Dave Yost • Auditor of State

Board of Directors
UBAH Math and Reading Preparatory Academy
3850 Sullivant Ave
Columbus, Ohio 43228

We have reviewed the *Independent Auditor's Report* of the UBAH Math and Reading Preparatory 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 UBAH Math and Reading Preparatory Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 24, 2014

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**UBAH MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO**

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February 24, 2014

To the Board of Directors
UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
3850 Sullivant Avenue
Columbus, OH 43228

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the UBAH Math and Reading Preparatory Academy, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the School, as of June 30, 2013, and the respective changes in financial position and cash flows thereof 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 February 24, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

**UBAH MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

The discussion and analysis of UBAH Math and Reading Preparatory Academy (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, since this is the School's first year of operations, only one year of data will be presented.

Financial Highlights

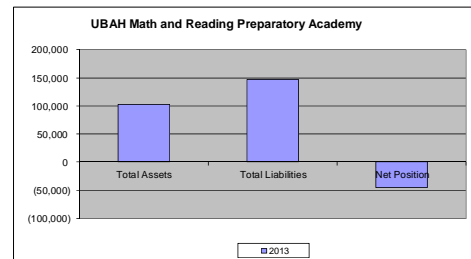
Key financial highlights for fiscal year 2013 are as follows:

- Total net position was (\$44,353) in fiscal year 2013.
- Total operating and non-operating revenues were \$598,942 in fiscal year 2013.
- Total expenses were \$643,295 in fiscal year 2013.
- Current liabilities were \$146,672 in fiscal year 2013.
- The School has no long term debt outstanding as of June 30 2013.

Using this Financial 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.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during their first year of operations of 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



These statements report the School's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**UBAH MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Statement of Net Position

The Statement of Net Position answers the question of how the School did 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 account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position for 2013.

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

	2013
Assets	
Current Assets	\$ 17,384
Capital Assets, Net	84,935
Total Assets	102,319
Liabilities	
Current Liabilities	146,672
Net Investment in Capital Assets	(10,065)
Unrestricted	(34,288)
Total Net Position	\$ (44,353)

Total assets were \$102,319, while total liabilities were \$146,672. Cash and cash equivalents were \$14,336 while intergovernmental receivables were \$3,048.

Statement of Revenues, Expenses and Change in Net Position

Table 2, below, demonstrates the change in net position for fiscal year 2013, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**UBAH MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

**Table 2
Change in Net Position**

	2013
<u>Operating Revenues</u>	
Foundation	\$ 501,007
Casino Revenue	1,486
Miscellaneous Operating	5,657
<u>Non-Operating Revenues</u>	
Grants	90,792
Total Revenues	598,942
 <u>Operating Expenses</u>	
Salaries	221,470
Fringe Benefits	45,204
Purchased Services	321,609
Materials and Supplies	18,627
Depreciation	20,531
Other	15,854
Total Expenses	643,295
 Change in Net Position	 \$ (44,353)

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 84% of revenues while federal made up the remaining. The Schools' most significant expense Purchased Services represents 50% of total expenses which represent payments to various vendors.

Budgeting Highlights

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

**UBAH MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Capital Assets

At the end of fiscal year 2013, the School had capital assets in the amount of \$84,935. See Note 12 for further information.

Debt

At June 30 2013, the School had no long term debt, however, there was a construction payable of \$95,000 and a note payable of \$10,000. See Notes 10 and 11 for further information.

Current Financial Related Activities

The School is in its first year as UBAH Math and Reading Preparatory Academy. The financial outlook over the next several years shows continued growth in enrollment. But, future revenue increases are cautious due to Ohio's weak economic recovery.

Contacting Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, Fiscal Officer for the UBAH Math and Reading Preparatory, 65 E. Wilson Bridge Rd Suite 200, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

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UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
Statement of Net Position
June 30, 2013

Assets

Current Assets:

Cash and Cash Equivalents	\$ 14,336	
Intergovernmental Receivable		3,048

Total Current Assets		17,384
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Noncurrent Assets:

Capital Assets:

Non-Depreciable Capital Assets		84,935
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Total Assets		102,319
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Liabilities

Current Liabilities:

Accounts Payable		2,302
Accrued Wages and Benefits	38,344	
Intergovernmental Payable	1,026	
Note Payable	10,000	
Construction Payable		95,000

Total Current Liabilities		146,672
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Net Position

Net Investment In Capital Assets		(10,065)
Unrestricted		(34,288)

Total Net Position		\$ (44,353)
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See accompanying notes to the basic financial statements

**UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2013**

<u>Operating Revenues</u>	
State Aid	\$ 501,007
Casino Revenue	1,486
Miscellaneous Operating Revenue	<u>5,657</u>
 Total Operating Revenues	 <u>508,150</u>
<u>Operating Expenses</u>	
Salaries	221,470
Fringe Benefits	45,204
Purchased Services	321,609
Materials and Supplies	18,627
Depreciation	20,531
Other	<u>15,854</u>
 Total Operating Expenses	 <u>643,295</u>
 Operating Loss	 (135,145)
<u>Non-Operating Revenues</u>	
Grants	<u>90,792</u>
 Total Non-Operating Revenues	 <u>90,792</u>
 Change in Net Position	 (44,353)
 Net Position Beginning of Year	 <u>-</u>
 Net Position End of Year	 <u><u>\$ (44,353)</u></u>

See accompanying notes to the basic financial statements

**UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State	\$ 502,493
Cash Received from Other Operating Sources	15,657
Cash Payments to Employees for Services	(188,257)
Cash Payments for Employee Benefits	(42,517)
Cash Payments for Goods and Services	(337,759)
Other Cash Payments	<u>(25,854)</u>

Net Cash Provided by (Used in) Operating Activities (76,237)

Cash Flows from Noncapital Financing Activities

Grants Received 91,752

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Assets	(11,179)
Cash Received from Loans & Notes Payable	20,000
Principal Payments-Notes Payable	<u>(10,000)</u>

Net Cash Provided by (Used in) Financing Activities (1,179)

Net Increase (Decrease) in Cash and Cash Equivalents 14,336

Cash and Cash Equivalents Beginning of Year -

Cash and Cash Equivalents End of Year \$ 14,336

**Reconciliation of Operating Gain (Loss) to Net Cash
Provided by (Used in) Operating Activities**

Operating Gain (Loss) \$ (135,145)

Adjustments:

 Depreciation 20,531

 Changes in Assets and Liabilities:

 Intergovernmental Receivable (3,048)

 Accounts Payable 2,302

 Accrued Wages and Benefits 38,097

 Intergovernmental Payable 1,026

Net Cash Provided by (Used in) Operating Activities \$ (76,237)

Non Cash Transaction: During the fiscal year, a contractor performed some work at the building in the amount of \$95,000 to be paid when funds become available.

See accompanying notes to the basic financial statements

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**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The School was approved for operation under contract with St. Aloysius Orphanage (the Sponsor) for a period of three years from July 1, 2012 through June 30, 2015. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to 68 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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 net position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. BUDGETARY PROCESS

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. The School did not have any investments during fiscal year 2013.

E. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$1,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation of \$84,935. Depreciation is computed by the straight-line method over five years for "Furniture and Fixtures", and five years for "Leasehold Improvements".

F. INTERGOVERNMENTAL REVENUES

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

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

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2013 school year totaled \$593,285.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

G. OPERATING REVENUES AND EXPENSES

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

H. NET POSITION

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

I. USE OF ESTIMATES

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

3. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30 2013, the carrying amount of the School's deposits was \$14,336 and the bank balance was \$16,387. Of the bank balance, all was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure, \$0 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

4. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with the O'Neil Group for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible.

Worker's Compensation - The School is responsible for paying the State Workers Compensation System a premium for employee injury coverage.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

5. DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund) of the System. For the fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The schools' contributions to SERS for the year ended June 30, 2013 was \$6,466 and the remaining \$66 was recorded as a payable.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 DB Plan and the DC 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.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

A DB 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. 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 above is the latest information available.

The above is the latest information available.

The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2013, was \$19,890 of which 100% has been contributed.

6. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90; SERS' reimbursement for 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 2013, the actuarial required allocation is .74 percent. The Schools contributions for the year ended June 30, 2013 was \$346.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

6. POSTEMPLOYMENT BENEFITS (continued)

A. School Employee Retirement Systems (continued)

Health Care Plan

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 HMO's, PPO's, 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.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year ended June 30 2013, the minimum compensation level was established at \$20,525. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Schools contributions assigned to health care including surcharge for the year ended June 30, 2013 was \$79.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement Systems

Plan Description - ESCHOOL of Ohio, LLC, on behalf of the School, 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.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

6. POSTEMPLOYMENT BENEFITS (continued)

B. School Teachers Retirement Systems (continued)

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013. The 14% employer contribution rate is the maximum rate established under Ohio law. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Schools' contributions for health care for the fiscal year ended June 30, 2013 was \$1,421, as all contributions were paid.

7. CONTINGENCIES

A. GRANTS

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

B. FULL TIME EQUIVALENCY

The Ohio Department of Education conducts reviews of enrollment 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. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2013 have not been calculated as of the audit date and will be included in the financial activity for fiscal year 2014.

8. FEDERAL TAX STATUS

The School began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the School has begun the process to file IRS Form 990, "Return of Organization Exempt from Income Tax".

9. SPONSORSHIP FEES

The School contracts with St. Aloysius to be its sponsor effective July 1, 2012. The contract states "...the annual sponsorship fee to be paid to St. Aloysius be set at 3% of the State's annual School Foundation support..." The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Amount paid to St. Aloysius for fiscal year 2013 was \$14,994.

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

10. NOTES PAYABLE

At June 30, 2013, the School had a loan balance from Elisia Brugger totaling \$10,000 for marketing and promotional needs. This note calls for quarterly payments of \$2,500 to commence on July 30, 2013 at an interest rate of 4% beginning in in July 2013. A summary of the School's short-term debt obligations for the year is as follows:

Note Payable	Beginning Balance	Additions	Deletions	Ending Balance
Operating Loan	\$ -	\$10,000	-	\$ 10,000

11. CONSTRUCTION PAYABLE

At June 30, 2013, the School has a balance from Innovative Construction Concepts totaling \$95,000. The vendor performed leasehold Improvements on the building. The vendor is allowing the school to pay the contract as funds become available. This amount is reflected on the Statement of Net Position.

12. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2013, follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Depreciable Capital Assets:				
Furniture and Fixtures	\$ -	\$ 10,466	\$ -	\$ 10,466
Leasehold Improvements	-	95,000	-	95,000
Total Capital Assets being Depreciated	-	105,466	-	105,466
Less Accumulated Depreciation				
Furniture and Fixtures	-	(1,531)	-	(1,531)
Leasehold Improvements	-	(19,000)	-	(19,000)
Total Accumulated Depreciation	-	(20,531)	-	(20,531)
Total Capital Assets being Depreciated, Net	\$ -	\$ 84,935	\$ -	\$ 84,935

**UBAH MATH AND READING PREPATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

13. PURCHASED SERVICES

For the period July 1, 2012 through June 30, 2013, purchased service expenses were for the following services:

Professional Services	\$ 80,759
Property Services	127,462
Travel and Professional Development	1,486
Communications	4,360
Utilities	19,617
Contract Trade	58,850
Transportation	29,075
Total	\$ 321,609

14. INTERGOVERNMENTAL RECEIVABLE

At June 30, 2013, intergovernmental receivables consist of \$3,048 due to an overpayment of STRS pension obligations.

15. ACCOUNTS/INTERGOVERNMENTAL PAYABLES

At June 30, 2013, the school had accounts payable totaling \$2,303 due various vendors during the normal course of conducting operations. The School had an intergovernmental payable of \$1,026 for amounts due School Employees Retirement System and CCIP.

16. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were \$38,344 at June 30, 2013 which represents wages, with associated benefits, earned and not paid at June 30, 2013 for certain School teachers paid over a 12 month period.

17. OPERATING LEASES – LESSEE DISCLOSURE

The School leases space from Hillo Real Estate, LLC located at 3850 Sullivant Avenue beginning August 1, 2012 for three (3) years and ending July 31, 2015 with an automatic renewal option for three additional years. The School pays a monthly payment of \$10,000. Total paid for fiscal year 2013 was \$117,500.

18. SHORT TERM LOANS

During fiscal year 2013, the School received a loan from the former Treasurer totaling \$10,000. This note was repaid during the fiscal year, with no interest charges. A summary of the School's short-term debt obligations for the year is as follows:

Note Payable	Beginning Balance	Additions	Deletions	Ending Balance
Operating Loan	\$ -	\$10,000	\$ 10,000	\$ -

February 24, 2014

To the Board of Directors
UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
3850 Sullivant Avenue
Columbus, OH 43228

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the UBAH Math and Reading Preparatory Academy, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 24, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Medina, Ohio

February 24, 2014

To the Board of Directors
UBAH Math and Reading Preparatory Academy
Franklin County, Ohio
3850 Sullivant Avenue
Columbus, OH 43228

Independent Accountant’s Report on Applying Agreed-Upon Procedures

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 was agreed to by the Board, solely to assist the Board in evaluating whether the UBAH Math and Reading Preparatory Academy, Franklin County, Ohio (the School) 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 procedure 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 at its meeting on November 14, 2012.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
- (11) A statement to include violence within a dating relationship within its definition of harassment, intimidation or bullying.
- (12) A statement to include prohibiting harassment, intimidation, or bullying of any student by an "electronic act".
- (13) We also noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus." Ohio Rev. Code Section 3313.666 required the Board to amend its definition by November 4, 2012.

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 Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Medina, Ohio

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Dave Yost • Auditor of State

UBAH MATH AND READING PREPARATORY 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
APRIL 3, 2014**