



Dave Yost • Auditor of State



NEW DAY ACADEMY BOARDING & DAY SCHOOL  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

New Day Academy Boarding & Day School  
Cuyahoga County  
291 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

To the Board of Directors:

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

We have audited the accompanying financial statements of the New Day Academy Boarding & Day School, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

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

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 24, 2015

**New Day Academy Boarding & Day School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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The discussion and analysis of New Day Academy Boarding & Day School's (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

- In total, net position decreased by \$96,098.
- Total assets decreased \$126,175. Cash and cash equivalents decreased \$69,378. Accounts Receivable decreased \$55,453. Capital Assets decreased \$1,344.
- Total liabilities decreased \$30,077. Accounts Payable decreased \$28,407. Accrued wages and benefits increased \$1,655.

**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.

**Statement of Net Position**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, answer the question, "How did we do financially during 2014?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, 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 Academy's net position for fiscal year 2014 and fiscal year 2013:

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**New Day Academy Boarding & Day School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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Table 1  
Net Position

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current Assets	\$208,734	\$333,565
Capital Assets, Net	<u>33,715</u>	<u>35,059</u>
Total Assets	<u>242,449</u>	<u>368,624</u>
<b>Liabilities</b>		
Non-current Liabilities	15,878	19,203
Other Liabilities	<u>145,833</u>	<u>172,585</u>
Total Liabilities	<u>161,711</u>	<u>191,788</u>
<b>Net Position</b>		
Net Investment in Capital Assets	17,837	15,856
Restricted	27,427	0
Unrestricted	<u>35,474</u>	<u>160,980</u>
Total Net Position	<u><u>\$80,738</u></u>	<u><u>\$176,836</u></u>

Net Position decreased by \$96,098, which is mainly due to the decrease in current assets. Total Net Position decreased mainly due to a decrease in Cash and Cash Equivalents. Over time, net position can serve as a useful indicator of financial position. At June 30, 2014, the Academy's assets exceeded liabilities by \$80,738.

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013, as well as a listing of revenues and expenses.

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**New Day Academy Boarding & Day School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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Table 2  
Changes in Net Position

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Foundation Payments	\$1,755,124	\$1,694,091
Student Fees	12,804	17,654
Other	32,902	4,799
Total Operating Revenues	<u>1,800,830</u>	<u>1,716,544</u>
Operating Expenses		
Salaries	1,051,707	934,295
Fringe Benefits	264,231	428,784
Purchased Services	750,263	765,624
Supplies and Materials	77,361	55,750
Depreciation	12,066	13,394
Other	73,929	43,412
Total Operating Expenses	<u>2,229,557</u>	<u>2,241,259</u>
Operating income (loss)	(428,727)	(524,715)
Non-Operating Revenue and Expenses		
Federal & State Grants	468,764	521,855
Food Service Expense	(134,386)	(144,172)
Interest (Expense)	(1,769)	0
Investment Earnings	20	17
Other	0	500
Total Non-Operating Revenues and Expenses	<u>332,629</u>	<u>378,200</u>
Change in Net Position	(96,098)	(146,515)
Net Position Beginning of Year	<u>176,836</u>	<u>323,351</u>
Net Position End of Year	<u>\$80,738</u>	<u>\$176,836</u>

Net Position decreased by \$96,098. Operating revenues increased mainly due to an increase in foundation revenue received by the Academy. Salaries expense increased mainly due to general inflationary factors and timing on accruals. Fringe Benefits decreased mainly due to the Academy catching up with the SERS arrearage.

**New Day Academy Boarding & Day School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**Capital Assets**

At the end of fiscal year 2014, the Academy had \$33,715 invested in Vehicles, Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3  
Capital Assets

	<u>2014</u>	<u>2013</u>
Vehicles, Furniture, Fixtures and Equipment	\$33,715	\$35,059

For more information on capital assets, see Note 4 to the basic financial statements.

**Debt**

At fiscal year end, the District had \$15,878 in capital lease payable, \$3,773 due within one year. Table 4 summarizes the capital lease outstanding at year end.

Table 4  
Outstanding Debt at Year End

	<u>2014</u>	<u>2013</u>
Capital Lease	\$15,878	\$19,203

See Note 8 and 9 of the Notes to the Basic Financial Statements for further details on the Academy's long-term obligations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Sonya Williams, Treasurer, at the New Day Academy Boarding & Day School, 291 East 222<sup>nd</sup> Street #205, Euclid, Ohio 44123 or email at sjw91969@yahoo.com.

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New Day Academy Boarding & Day School  
Statement of Net Position  
June 30, 2014

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Assets:	
Current Assets:	
Cash and Cash Equivalents	\$201,963
Accounts Receivable	<u>6,771</u>
Total Current Assets	<u>208,734</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>33,715</u>
Total Noncurrent Assets	<u>33,715</u>
Total Assets	<u>242,449</u>
Liabilities:	
Current Liabilities:	
Accrued Wages and Benefits	<u>145,833</u>
Total Current Liabilities	<u>145,833</u>
Non-Current Liabilities:	
Due within One Year	3,773
Due in More than One Year	<u>12,105</u>
Total Non-Current Liabilities	<u>15,878</u>
Total Liabilities	<u>161,711</u>
Net Position:	
Net Investment in Capital Assets	17,837
Restricted	27,427
Unrestricted	<u>35,474</u>
Total Net Position	<u><u>\$80,738</u></u>

See accompanying notes to the basic financial statements.

New Day Academy Boarding & Day School  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

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Operating Revenues:	
Foundation Payments	\$1,755,124
Student Fees	12,804
Other Operating Revenues	<u>32,902</u>
Total Operating Revenues	<u>1,800,830</u>
Operating Expenses:	
Salaries	1,051,707
Fringe Benefits	264,231
Purchased Services	750,263
Materials and Supplies	77,361
Depreciation	12,066
Other	<u>73,929</u>
Total Operating Expenses	<u>2,229,557</u>
Operating Income (Loss)	<u>(428,727)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	20
Interest (Expense)	(1,769)
State and Federal Grants	468,764
Food Service Expense	<u>(134,386)</u>
Total Non-Operating Revenues (Expenses)	<u>332,629</u>
Change in Net Position	(96,098)
Net Position - Beginning of Year	<u>176,836</u>
Net Position - End of Year	<u><u>\$80,738</u></u>

See accompanying notes to the basic financial statements.

New Day Academy Boarding & Day School  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

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Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$1,755,124
Other Operating Cash Receipts	42,935
Cash Payments to Employees for Salaries and Benefits	(1,318,283)
Cash Payments for Materials, Supplies and Other Services	(856,031)
Cash Payments for Other Expenses	<u>(73,929)</u>
Net Cash Provided (Used) by Operating Activities	<u>(450,184)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	530,988
Cash Payments for Food Services	<u>(134,386)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>396,602</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(10,722)
Debt Principal Payments	(3,325)
Debt Interest Payments	<u>(1,769)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(15,816)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>20</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>20</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(69,378)
Cash and Cash Equivalents - Beginning of Year	<u>271,341</u>
Cash and Cash Equivalents - End of Year	<u><u>201,963</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(428,727)
Adjustments:	
Depreciation	12,066
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(6,771)
(Increase) Decrease in Accrued Liabilities	1,655
Increase (Decrease) in Payables	<u>(28,407)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$450,184)</u></u>

See accompanying notes to the basic financial statements.

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 1 - Description of the Academy**

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New Day Academy Boarding & Day School (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2013 and ending June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under a five member self-appointed Board of Trustees. The Academy's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

New Day Academy works with a management company called World Class Community Schools (WCCS). The Academy separated into two locations due to space availability. The other address for New Day Academy is 32114 Vine Street, Willowick, Ohio 44095. During the current fiscal year, students between grades 6 through 12 were located there. The Academy provides transportation, which shuttles some students from one campus to the other.

**Note 2 - Summary of Significant Accounting Policies**

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

**Basis of Presentation**

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

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

**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. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compares income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis. Under Ohio Revised Code Section 5705.391, the Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

**Capital Assets and Depreciation**

The Academy maintains a capitalization threshold of one thousand dollars for vehicles, furniture, fixtures and equipment.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	4 - 5 years
Furniture, Fixtures and Equipment	3 - 7 years

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restriction

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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imposed by creditors, grantors, or law and regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Operating Revenues and Expenses**

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

**Estimates**

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

**Note 3 – Cash and Cash Equivalents**

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At fiscal year end June 30, 2014, the carrying amount of the Academy’s deposits totaled \$201,966. As of June 30, 2014, the entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

*Investments:* The Academy had no investments at June 30, 2014, or during the fiscal year.

**Note 4 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2014 was:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Furniture, Fixtures and Equipment	\$81,379	\$10,722	\$0	\$92,101
Vehicles	42,000	0	0	42,000
Total Capital Assets being Depreciated	<u>123,379</u>	<u>10,722</u>	<u>0</u>	<u>134,101</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	77,920	4,166	0	82,086
Vehicles	10,400	7,900	0	18,300
Total Accumulated Depreciation	<u>88,320</u>	<u>12,066</u>	<u>0</u>	<u>100,386</u>
Total Capital Assets, Net	<u>\$35,059</u>	<u>(\$1,344)</u>	<u>\$0</u>	<u>\$33,715</u>

**Note 5 - Risk Management**

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**Property and Liability**

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2014, the Academy contracted with Indiana Insurance Company for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

**Workers Compensation**

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**Note 6 – Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$26,880, \$25,608, and \$24,384, respectively; 67% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**State Teachers Retirement System of Ohio**

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 14% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$126,600, \$127,601, and \$111,908, respectively; 67% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 7 - Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. Academy contributions for the year ended June 30, 2014, 2013 and 2012 were \$1,421, \$1,354, and \$1,324, respectively, which equaled the required contributions each year.

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. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$307, \$293, and \$2,491, respectively; 67% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

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**For the Fiscal Year Ended June 30, 2014**

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Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$9,042, \$9,815, and \$8,608, respectively; 69% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 8 - Long-Term Liabilities**

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	Beginning Principal <u>Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	Ending Principal <u>Outstanding</u>	Due In <u>One Year</u>
Capital Lease	\$19,203	\$0	(\$3,325)	\$15,878	\$3,773

**Note 9 - Capital Leases**

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During 2013, the Academy entered into a vehicle lease for \$19,984. The Academy capitalized the vehicle related to the lease. The lease expires in 2018.

The above leases meet the criteria of capital leases as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The gross amount of assets acquired under capital leases is \$19,984.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

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**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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Fiscal Year Ending June 30	
2015	\$5,094
2016	5,094
2017	5,094
2018	<u>4,245</u>
Total Minimum Lease Payments	19,527
Less: Amount Representing Interest	<u>(3,649)</u>
Present Value of Minimum Interest Payments	<u><u>\$15,878</u></u>

**Note 10 – Contingencies**

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**Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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, 2014.

**Full Time Equivalency**

The Ohio Department of Education conducts an annual review of enrollment data and full-time equivalency (FTE) calculations made by the community school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Adjustments to the state funding received during fiscal year 2014 are immaterial and are not reflected in the 2014 financial statements but will be included in the financial activity for fiscal year 2015.

**Note 11 – Operating Lease**

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The Academy is a lessee for a twelve-month building operating lease for the period of July 1, 2013 through June 30, 2014 with the City of Euclid (the lessor). Rent is payable in monthly installments of \$4,362 and is due by the fifteenth day of each month. The Academy is also a lessee for a twelve month building operating lease for the period of July 1, 2013 through June 30, 2014 with the Roman Catholic Diocese of Cleveland (the lessor). Rent is payable in monthly installments of approximately \$4,512 and is due by the first day of each and every calendar month.

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**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 12 - Purchased Services**

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For the year ended June 30, 2014, the purchased service expenses were comprised of the following:

Professional and Technical Services	\$488,041
Property Services	170,935
Travel Mileage/Meeting Expenses	7,680
Communication	48,223
Utilities	15,907
Contracted Craft/Trade Service	<u>19,477</u>
Total Purchased Services	<u>\$750,263</u>

**Note 13 – Change in Accounting Principles**

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The Academy adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Academy. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

**Note 14 – Management Company**

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The Academy contractually engages with World Class Community Schools (WCCS) to the extent permitted by law, to provide the operation management and internal administrative oversight by providing the specific functions relating to the provision of educational services and the management and operation of the Academy. The agreement is good for five academic years, expiring on June 30, 2018. The agreement shall be automatically renewed after the primary term for an additional term of one year and for successive one-year terms thereafter. The Academy paid a management fee of \$208,049 and legal fees of \$10,200 and Medical, Dental and Vision benefits of \$89,941 to WCCS in 2014. The Academy joined the WCCC consortium for healthcare benefits in 2014. The Academy's Headmaster; Terrance Walton is married to the WCC's President of Operations; Kinja Walton.

**Note 15 – Management Plan to Eliminate Negative Net Position**

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At June 30, 2014, the Academy had a net position of \$80,738, but the Academy has had a negative change in net position of \$146,515 for 2013 and a negative change in net position of \$96,098. The primary focus of the Administration's plan to improve fiscal performance includes: (1) sustain/grow current student enrollment, (2) continue return-on-investment budgeting, (3) trim expenditures not directly tied to student learning growth and (4) continued focus on process improvements in school operations and instruction. The Board and Administration will continue directing a significant amount of time and energy toward making stronger connections with current Academy families to expand the word about the Academy's high academic performance in an effort to grow future student enrollment. In addition, the financial plan will continue to focus on cutting costs within daily operations through

**New Day Academy Boarding & Day School**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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process improvements and spending restrictions after the Academy's instruction program requirements are met.



# Dave Yost • Auditor of State

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

New Day Academy Boarding & Day School  
Cuyahoga County  
291 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

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 New Day Academy Boarding & Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 24, 2015.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weakness and a significant deficiency.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

***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*.

***Entity's Response to Findings***

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 24, 2015

NEW DAY ACADEMY BOARDING & DAY SCHOOL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. Financial Reporting

<i>Finding Number</i>	2014-001
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of management and the Board of Directors at the Academy and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following deficiencies were identified:

- Charges for Services were overstated and Federal and State Grants were understated by \$161,796 respectively due to improper classification of federal and state National School Lunch Program receipts. These were properly coded in the accounting records.
- Foundation Payments were understated and Federal and State Grants were overstated by \$192,718 respectively due to improper classification of foundation settlement funding categories Facilities and Economic Disadvantage Funding. These were properly coded in the accounting records.
- Foundation Payments were overstated and Federal and State Grants were understated by \$64,606 respectively due to improper classification of Title I federal and Casino Tax receipts.
- Long -Term Liabilities Due within one Year totaling \$3,773 was incorrectly classified as a Current Liability and the Due in more than one Year totaling \$12,105 was incorrectly classified as a Loan Payable.
- Notes to the Basic Financial Statements required revision to include a building operating lease that was omitted, to correct certain pension plan and post-employment benefit information, and to correct the GASB 40 disclosure that included risk disclosures that were not applicable to the Academy.

The financial statements were adjusted and corrected by the Academy for the errors identified above.

In addition to the above, the following accounting deficiencies were identified, but did not have a significant impact on the financial statements since the Academy reports all activity as a single enterprise fund, even though they internally track activity using separate funds:

- One Race to the Top federal receipt totaling \$2,073 was incorrectly posted to Fund 006 which tracks food service activity. This receipt should have been posted to Fund 506.
- Three Title I federal receipts totaling \$59,531 were incorrectly posted to Fund 001 which tracks all activities that is not required to be reported in a separate fund or account. This should have been posted to Fund 572.

**1. Financial Reporting (Continued)**

<i>Finding Number</i>	2014-001 (Continued)
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MATERIAL WEAKNESS (Continued)

- Fund 572 employee benefits were recorded entirely to the STRS object code 211. However a portion totaling \$3,681 related to health care expenses should have been posted to object code 241.
- Audit costs totaling \$3,621 were incorrectly recorded as a reduction of expenditure to Foundation payment revenue instead of as an expense.

Failure to record receipts and expenses in the proper fund and accounts hinders management's ability to effectively monitor the Academy's performance including its monitoring of federal programs. Further, posting federal receipts into incorrect funds diminishes management's ability to ensure compliance with most federal requirements and could result in disallowed claims and liabilities.

We recommend the Academy adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Academy, and thereby increasing the reliability of the financial data throughout the year. Management including the Board of Directors should carefully review its draft compilation for errors or omissions prior to filing it with the Auditor of State.

**Official's Response:** This information is so noted.

**2. Bank to Book Reconciliations**

<i>Finding Number</i>	2014-002
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MATERIAL WEAKNESS

Reconciliation of the Academy's bank accounts with its ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Academy. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Academy's records should be reconciled.

The Academy was not preparing bank to book reconciliations during the audit period, and was unable to provide an accurate June 30, 2014 year-end bank reconciliation until June 2015. At times, there was more than one reconciliation prepared for a month and neither would reconcile to the general ledger. Reconciliations that did not reconcile to the accounting system were provided to the Board for their review; however there was no evidence they questioned or inquired about this discrepancy.

**2. Bank to Book Reconciliations (Continued)**

<i>Finding Number</i>	2014-002 (Continued)
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MATERIAL WEAKNESS (Continued)

In part, the deficiencies in reconciling resulted from the following:

- The Academy switched from Quickbooks in fiscal year 2013 to NWOCA's USAS accounting software in fiscal year 2014.
- Inaccurate beginning fund balances were entered into the new accounting system.
- Posting payroll entries in the accounting system based off purchase order amounts and not actual expenses.
- Posting inaccuracies when transferring payroll subsidiary ledger to the general ledger for benefits (i.e., medical, dental and vision).

Failure to prepare accurate and timely bank to book reconciliations coupled with the Board of Directors insufficient monitoring of such reconciliations, increases the likelihood errors or irregularities, including fraud, could occur and not be detected timely. Also, this could contribute to the financial statements being materially misstated since an unreconciled bank to book balance could indicate all receipts and expenses are not recorded in the general ledger.

We recommend monthly reconciliations be prepared utilizing all Academy bank balances and the USAS accounting system fund balance. Reconciling items should be documented, sufficiently supported and maintained on file with each month's reconciliation. The preparer should initial and date such reconciliation. These monthly reconciliations should also be reviewed by Board of Directors to monitor the accuracy of such reconciliations. Evidence of such monitoring should be documented as well (i.e. initials and date).

Also due to the increasing volume of online banking activities and electronic fund transactions used at the Academy, we recommend the Board establish policies that include:

- What online banking and EFT activities will be used
- Who is authorized to initiate electronic transactions
- Who will approve electronic transactions
- Who will transmit electronic transactions
- Who will record electronic transactions
- Who will review and reconcile electronic transactions

**Official's Response:** The NDA Board of Directors (NDABOD) were well aware of the bank balance concerns due to the lack of transition from the previous Treasurer as well as switching to a new accounting system. The NDABOD asked questions and were giving updates each meeting

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# Dave Yost • Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL**

**CUYAHOGA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 7, 2016**