

**EAST BRANCH  
PREPARATORY ACADEMY  
dba WRIGHT PREPARATORY ACADEMY  
STARK COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Members of the Board  
East Branch Preparatory Academy dba Wright Preparatory Academy  
1500 Superior Ave., NE  
Canton, Ohio 44705

We have reviewed the *Independent Auditor's Report* of the East Branch Preparatory Academy dba Wright Preparatory Academy, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 East Branch Preparatory Academy dba Wright 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

February 7, 2018

**This page intentionally left blank.**

**EAST BRANCH PREPARATORY ACADEMY  
dba WRIGHT PREPARATORY ACADEMY  
STARK COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

---

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report  | 1-3         |
| Management's Discussion and Analysis  | 5-8         |
| Basic Financial Statements:   |             |
| Statement of Net Position   | 10          |
| Statement of Revenues, Expenses and Changes in Net Position   | 11          |
| Statement of Cash Flows   | 12-13       |
| Notes to the Basic Financial Statements   | 14-27       |
| Required Supplementary Information:   |             |
| Schedules of the School's Contributions   |             |
| School Employees Retirement System of Ohio - Last Fiscal Year   | 28          |
| State Teachers Retirement System of Ohio - Last Fiscal Year   | 29          |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30-31       |

**This page intentionally left blank.**

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 – 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR’S REPORT**

To the Members of the Board  
East Branch Preparatory Academy  
dba Wright Preparatory Academy  
Canton, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the East Branch Preparatory Academy dba Wright Preparatory Academy, Stark County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 Academy’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 Academy’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 financial position of the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio, as of June 30, 2017, and the 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.

### ***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio, will continue as a going concern. As described in Note 13 to the basic financial statements, the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio, has a declining net position due to the expenses exceeding revenues, which raises substantial doubt about the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's ability to continue. Management's plans in regards to those matters are described in Note 14. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's internal control over financial reporting and compliance.

**James G. Zupka**  
**CPA, President**

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2017.12.29 09:01:03 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 15, 2017

*This page intentionally left blank.*

## **WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)**

The discussion and analysis of the East Branch Preparatory Academy dba Wright Preparatory Academy (the School), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the new 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. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first year of financial reporting for the School comparative prior year fiscal information does not exist. Subsequent reports will include the comparative information.

#### **FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2016-2017 school year are as follows:

- Total assets were \$253,404.
- Deferred outflows were \$69,368.
- Total liabilities were \$447,819.
- Total net position was (\$125,047).
- Total operating and non-operating revenues were \$1,133,134. Total operating expenses were \$1,258,181.

#### **USING THIS ANNUAL REPORT**

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2017. 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 that 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.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)**

***Statement of Net Position*** - The Statement of Net Position answers the question of how the School did financially during 2017. 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 resource 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 fiscal year 2017. This is the School's first year of operation, therefore, comparative information is not available.

**Table 1  
Statement of Net Position**

|                                       | <b>2017</b>         |
|---------------------------------------|---------------------|
| <b>Assets</b>                         |                     |
| Current Assets                        | \$ 141,625          |
| Non-Current Assets                    | 9,000               |
| Capital Assets, Net                   | 102,779             |
| Total Assets                          | <u>253,404</u>      |
| <b>Deferred Outflows of Resources</b> | <u>69,368</u>       |
| <b>Liabilities</b>                    |                     |
| Current Liabilities                   | 447,819             |
| Total Liabilities                     | <u>447,819</u>      |
| <b>Net Position</b>                   |                     |
| Net Investment in Capital Assets      | 102,779             |
| Unrestricted                          | <u>(227,826)</u>    |
| <b>Total Net Position</b>             | <u>\$ (125,047)</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position totaled \$(125,047).

Current assets represent cash and cash equivalents, intergovernmental receivable and grants receivable. Current liabilities represent accounts payable and accrued expenses.

WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)

***Statement of Revenues, Expenses and Change in Net Position*** - Table 2 shows the change in net position for fiscal year 2017, 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 the 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. This is the School's first year of operation, therefore, comparative information is not available.

**Table 2**  
**Change in Net Position**

|  | <u>2017</u>         |
|--|---------------------|
| <b>Operating Revenue</b>               |                     |
| State Aid                              | \$ 953,608          |
| Intergovernmental Revenue              | 5,692               |
| Total Operating Revenues               | <u>959,300</u>      |
| <b>Operating Expenses</b>              |                     |
| Purchased Services                     | 435,752             |
| Facility Costs                         | 141,199             |
| Professional Fees                      | 419,405             |
| Legal Fees                             | 23,632              |
| Sponsor Fees                           | 27,927              |
| Materials and Supplies                 | 104,590             |
| Student Support                        | 77,393              |
| Miscellaneous                          | 4,193               |
| Depreciation                           | 24,090              |
| Total Operating Expenses               | <u>1,258,181</u>    |
| <b>Non-Operating Revenues</b>          |                     |
| Federal Grants                         | 173,834             |
| Total Non-Operating Revenues           | <u>173,834</u>      |
| <b>Change in Net Position</b>          | (125,047)           |
| <b>Net Position, Beginning of Year</b> | <u>-</u>            |
| <b>Net Position, End of Year</b>       | <u>\$ (125,047)</u> |

## **WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)**

#### **BUDGET**

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 (with the exception section 5705.391 – Five Year Forecasts), 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 must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

#### **CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$102,779. There were current year additions of \$126,869 offset by current year depreciation of \$24,090. For more information on capital assets, see Note 5 of the Basic Financial Statements.

#### **CURRENT FINANCIAL ISSUES**

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In fiscal year 2017, the State raised the base per pupil funding to \$6,000, which is up from the \$5,900 in the previous year.

The full-time equivalent enrollment of the School for the year ended June 30, 2017 was 113.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

#### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 1500 Superior Avenue NE, Canton, Ohio 44705 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

**THIS PAGE INTENTIONALLY LEFT BLANK**

**WRIGHT PREPARATORY ACADEMY –  
STARK COUNTY, OHIO  
Statement of Net Position  
At June 30, 2017**

**Assets**

*Current Assets:*

|                              |              |
|------------------------------|--------------|
| Cash and Cash Equivalents    | \$ 54,499    |
| Intergovernmental Receivable | 9,540        |
| Grants Receivable            | 73,659       |
| Other Receivable             | <u>3,927</u> |

|                      |                |
|----------------------|----------------|
| Total Current Assets | <u>141,625</u> |
|----------------------|----------------|

*Noncurrent Assets:*

|                                 |                |
|---------------------------------|----------------|
| Other Assets                    | 9,000          |
| Capital Assets:                 |                |
| Depreciable Capital Assets, net | <u>102,779</u> |

|                         |         |
|-------------------------|---------|
| Total Noncurrent Assets | 111,779 |
|-------------------------|---------|

|              |                |
|--------------|----------------|
| Total Assets | <u>253,404</u> |
|--------------|----------------|

|                                       |               |
|---------------------------------------|---------------|
| <b>Deferred Outflows of Resources</b> | <u>69,368</u> |
|---------------------------------------|---------------|

**Liabilities**

*Current Liabilities:*

|                  |              |
|------------------|--------------|
| Accounts Payable | 441,339      |
| Accrued Expenses | <u>6,480</u> |

|                           |                |
|---------------------------|----------------|
| Total Current Liabilities | <u>447,819</u> |
|---------------------------|----------------|

|                   |                |
|-------------------|----------------|
| Total Liabilities | <u>447,819</u> |
|-------------------|----------------|

**Net Position**

|                              |                            |
|------------------------------|----------------------------|
| Investment in Capital Assets | 102,779                    |
| Unrestricted                 | <u>(227,826)</u>           |
| Total Net Position           | <u><u>\$ (125,047)</u></u> |

See accompanying notes to the basic financial statements



**WRIGHT PREPARATORY ACADEMY –  
STARK COUNTY, OHIO**

**Statement of Revenues,  
Expenses and Change in Net Position  
For the Year Ending June 30, 2017**

|  |                  |
|--|------------------|
| <b><u>Operating Revenues</u></b>           |                  |
| State Aid                                  | \$ 953,608       |
| Intergovernmental Revenue                  | 5,692            |
|  | 959,300          |
| <br><b><u>Operating Expenses</u></b>       |                  |
| Purchased Services                         | 435,752          |
| Facility Costs                             | 141,199          |
| Professional Fees                          | 419,405          |
| Legal Fees                                 | 23,632           |
| Sponsor Fees                               | 27,927           |
| Materials and Supplies                     | 104,590          |
| Student Support                            | 77,393           |
| Miscellaneous                              | 4,193            |
| Depreciation                               | 24,090           |
| Total Operating Expenses                   | 1,258,181        |
| <br><b>Operating (Loss)</b>                | <br>(298,881)    |
| <br><b><u>Non-Operating Revenues</u></b>   |                  |
| Federal Grants                             | 173,834          |
| Total Non-Operating Revenues               | 173,834          |
| <br><b>Change in Net Position</b>          | <br>(125,047)    |
| <br><b>Net Position, Beginning of Year</b> | <br>-            |
| <br><b>Net Position, End of Year</b>       | <br>\$ (125,047) |

See accompanying notes to the basic financial statements

**WRIGHT PREPARATORY ACADEMY –  
STARK COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2017**

**Cash Flows from Operating Activities**

|   |                  |
|---|------------------|
| Cash Received from State of Ohio                  | \$ 945,833       |
| Cash Payments to Suppliers for Goods and Services | <u>(864,640)</u> |
| Net Cash Provided By Operating Activities         | <u>81,193</u>    |

**Cash Flows from Non-Capital Financing Activities**

|   |                |
|---|----------------|
| Cash Received from Federal Grants                     | <u>100,175</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>100,175</u> |

**Cash Flows from Capital and Related Financing Activities**

|  |                  |
|--|------------------|
| Cash Payments for Capital Acquisitions           | <u>(126,869)</u> |
| Net Cash (Used for) capital Financing Activities | <u>(126,869)</u> |

**Net Increase in Cash and Cash Equivalents** 54,499

**Cash and Cash Equivalents, Beginning of Year** -

**Cash and Cash Equivalents, End of Year** \$ 54,499

**(Continued)**

**WRIGHT (EAST BRANCH) PREPARATORY ACADEMY –  
STARK COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2017  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

|  |                         |
|--|-------------------------|
| <b>Operating Loss</b>  | \$ (298,881)            |
| Depreciation   | 24,090                  |
| Changes in Assets, Liabilities, and Deferred Inflows and Outflows: |                         |
| (Increase)/ Decrease in Intergovernmental Receivable               | (9,540)                 |
| (Increase)/ Decrease in Other Receivable                           | (3,927)                 |
| (Increase)/ Decrease in Other Assets                               | (9,000)                 |
| (Increase)/ Decrease in Deferred Outflows                          | (69,368)                |
| Increase/ (Decrease) in Accounts Payable                           | 441,339                 |
| Increase/ (Decrease) in Accrued Expense                            | 6,480                   |
|  | <hr/>                   |
| Net Cash Provided by Operating Activities                          | <u><u>\$ 81,193</u></u> |

See accompanying notes to the basic financial statements.

## WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

#### **NOTE 1 - DESCRIPTION OF THE ENTITY**

East Branch Preparatory Academy, Inc., DBA Wright Preparatory Academy, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to improve the lives of its students by providing authentic learning experiences in a collaborative, nurturing environment that will build a foundation for student's success in school, at future work and in life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School contracted with Cambridge Education Group, LLC, an Ohio limited liability company, ("Cambridge") for most of its functions, and Cambridge is the entity with which the School Board interacts regarding day-to-day operations (See Note 10).

The School was approved for operation under a contract with St. Aloysius Orphanage, (the Sponsor) for a one-year period commencing on July 1, 2016, with automatic one-year renewals through June 30, 2021. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the 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 populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation** - The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in net position, financial position and cash flows.

The Government Accounting Standards Board identifies the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when 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 (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided for in the School’s sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

**Cash and Cash Equivalents** - Cash received by the School is reflected as “Cash and Cash Equivalents” on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2017.

**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 these estimates.

**Capital Assets and Depreciation** - Capital assets are capitalized at cost. Donated capital assets are recorded at their acquisition values as of the date received. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were \$97,666, as of June 30, 2017, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

| <b><u>Asset Class</u></b>        | <b><u>Useful Life</u></b> |
|----------------------------------|---------------------------|
| Computers & Technology Assets    | 3 years                   |
| Furniture, Fixtures, & Equipment | 5 years                   |

The School’s policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.

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

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intergovernmental Revenues - (continued)**

Grants and entitlements are recognized as non-operating revenues in the accounting period in which 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.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$953,608 this fiscal year from the State Foundation Program and \$173,834 from Federal Grants.

**Compensated Absences** - Vacation is taken in a manner which corresponds with the school calendar; therefore, the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

**Accrued Liabilities** - Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of \$441,339 and accrued expenses of \$6,480 at June 30, 2017

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

**Net Position** - Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position invested 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.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Operating Revenues and Expenses*** - Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2017.

***Pensions*** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deletions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***Deferred Inflows and Deferred Outflows of Resources*** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. The School did not have any deferred inflows of resources related to pension as of fiscal year end.

**Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Implementation of New Accounting Principles (continued)**

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2017, the book amount of the School's deposits was \$54,499 and the bank balance was \$72,975.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2017, none of the bank balance was exposed to custodial credit risk.

**NOTE 4 - RECEIVABLES**

**Intergovernmental Receivable** - The School has intergovernmental receivables totaling \$9,540 at June 30, 2017. These receivables represented monies due to the School from government sources, but not received as of June 30, 2017.

**Grants Receivable** - The School had grant receivable balances of federal grant monies totaling \$73,659 at June 30, 2017.

**Other Receivable** - The School had other receivable balances of federal grant monies totaling \$3,927 at June 30, 2017.



WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 5 - CAPITAL ASSETS**

For the period ending June 30, 2017, the School's capital assets consisted of the following:

|                                       | <u>Balance</u><br><u>06/30/16</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>06/30/17</u> |
|---------------------------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| <b>Capital Assets:</b>                |                                   |                  |                  |                                   |
| Furniture, Fixtures, & Equipment      | \$ -                              | \$ 98,826        | \$ -             | \$ 98,826                         |
| Computers                             | -                                 | 28,043           | -                | 28,043                            |
| <b>Total Capital Assets</b>           | -                                 | 126,869          | -                | 126,869                           |
| <b>Less Accumulated Depreciation:</b> |                                   |                  |                  |                                   |
| Furniture, Fixtures, & Equipment      | -                                 | (17,084)         | -                | (17,084)                          |
| Computers                             | -                                 | (7,006)          | -                | (7,006)                           |
| <b>Total Accumulated Depreciation</b> | -                                 | (24,090)         | -                | (24,090)                          |
| <b>Capital Assets, Net</b>            | \$ -                              | \$ 102,779       | \$ -             | \$ 102,779                        |

**NOTE 6 - RISK MANAGEMENT**

**Property & Liability** - The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2017, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$10,000,000.

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS**

The School has contracted with Cambridge Education, LLC to provide all teaching and administrative personnel. Such personnel are employees of Cambridge; however, the School is responsible for monitoring and ensuring that Cambridge makes pension contributions on its behalf. The retirement systems consider Cambridge as the "Employer of Record", however the School is ultimately responsible for remitting contributions to each of the systems noted below.

**Net Pension Liability** - In future periods, the School will report a net pension liability on the statement of net position. The net pension liability represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued expense.

**School Employees Retirement System (SERS)**

**Plan Description** – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**School Employees Retirement System (SERS) (Continued)**

Age and service requirements for retirement are as follows:

|                                 | Eligible to Retire on or before<br>August 1, 2017 *                              | Eligible to Retire on or after<br>August 1, 2017                                     |
|---------------------------------|--|--|
| Full Benefits                   | Any age with 30 years of service credit<br>Age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced<br>Benefits | Age 60 with 5 years of service credit<br>Age 55 with 2 years of service credit   | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**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 statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal 2017.

The School's contractually required contribution to SERS was \$20,406 for fiscal year 2017, of this amount \$859 is reported as an accrued expense.

**State Teachers Retirement System (STRS)**

**Plan Description** – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**State Teachers Retirement System (STRS) (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**State Teachers Retirement System (STRS) (Continued)**

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was \$48,962 for fiscal year 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to Pensions are not applicable to the School at June 30, 2017, due to the School not being in operation during the measurement period.

At June 30, 2017, the School reported deferred outflows of resources related to pensions from the following sources:

|   | <u>STRS</u>      | <u>SERS</u>      | <u>Total</u>     |
|---|------------------|------------------|------------------|
| <b>Deferred Outflows of Resources</b>                   |                  |                  |                  |
| School Contributions Subsequent to the Measurement Date | <u>\$ 48,962</u> | <u>\$ 20,406</u> | <u>\$ 69,368</u> |

\$69,368 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

**Health Care Plan Description** - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)**

**School Employees Retirement System (continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide 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.

The School's contributions for health care (including surcharge) for the fiscal year ended June 30, 2017, was \$0.

**School Teachers Retirement Systems**

**Plan Description** – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The School contributions for health care for the fiscal year ended June 30, 2017, were \$0.

**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 9 - CONTINGENCIES**

**Grants** - The School received financial assistance from federal and state agencies in the form of 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 adjustments will not have a material adverse effect on the financial position of the School.

**Litigation** - There are currently no matters in litigation with the School as defendant.

**School Foundation** - School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.



**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS**

***Sponsor*** - The School contracted with St. Aloysius Orphanage as its sponsor and oversight services, monitoring and technical assistance. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2017, the total sponsorship fees paid totaled \$27,927.

***Management Company*** - The School entered into an agreement with Cambridge Education Group LLC, a local nonprofit management company, to provide management and day-to-day operational functions for fiscal year 2017. The agreement was for a period of two years beginning July 1, 2016, and automatically renewed for an additional five year period beginning July 1, 2018. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2017 was \$174,404 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position.

In addition to the continuing fee described above, the School will reimburse Cambridge for its payroll and other costs eligible for reimbursement. Cambridge acknowledges that pursuant to Ohio law, Company's State Teachers Retirement System ("STRS") and State Employees Retirement System ("SERS") contributions on behalf of the Company employees employed at the School will be withheld by the State of Ohio.

The School had purchased service expenses for the year ended June 30, 2017 to Cambridge of \$435,752 for salaries and benefits and \$174,404 for management fees. At June 30, 2017, the School owed Cambridge \$381,847 for services and advances made to the School, which are included in accounts payable.

**NOTE 11 – MANAGEMENT COMPANY EXPENSES**

As of June 30, 2017, Cambridge Education Group LLC and its affiliates incurred the following expenses on behalf of the School:

|  | <b>Regular<br/>Instruction<br/>(1100 Function<br/>codes)</b> | <b>Special<br/>Instruction<br/>(1200 Function<br/>codes)</b> | <b>Other<br/>Instruction<br/>(1400 and 1900<br/>Function Codes)</b> | <b>Support<br/>Services<br/>(2000 Function<br/>Codes)</b> | <b>Non-Instructional<br/>(3000 through<br/>7000 Function<br/>Codes)</b> | <b>Total</b>      |
|--|--|--|---|---|---|-------------------|
| <b><i>Direct expenses:</i></b>                       |  |  |   |   |   |                   |
| Salaries & wages (100 object codes)                  | \$ 273,664   | \$ 16,945  | \$ 29,340   | \$ 93,567   | \$ -  | \$ 413,516        |
| Employees' benefits (200 object codes)               | 23,791   | 542  | 4,739   | 2,278   | -   | 31,350            |
| Professional & technical services (410 object codes) | -  | -  | -   | -   | 161,573   | 161,573           |
| Property services (420 object codes)                 | -  | -  | -   | -   | 23,831  | 23,831            |
| Supplies (500 object codes)                          | -  | -  | -   | -   | 6,333   | 6,333             |
| Other direct costs (All other object codes)          | 19,849   | -  | -   | -   | 24,059  | 43,908            |
| <b>Overhead</b>                                      | -  | -  | -   | 40,163  | 18,689  | 58,852            |
| <b>Total expenses</b>                                | <b>\$ 317,304</b>  | <b>\$ 17,487</b>   | <b>\$ 34,079</b>  | <b>\$ 136,008</b>   | <b>\$ 234,485</b>   | <b>\$ 739,363</b> |

Cambridge charges overhead expenses benefiting more than one school on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2017 for each school it manages.



**WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - LEASE OBLIGATIONS**

In June 2016, the School entered into a lease agreement with 1500 Superior, LLC for the school premises. The initial lease term is for two years with a renewal option of two additional five-year terms. From July 2015 through June 2022. The base rent is \$9,000 per month.

Future lease obligations are as follows:

|         |                   |
|---------|-------------------|
| FY 2018 | <u>\$ 108,000</u> |
| Total   | <u>\$ 108,000</u> |

**NOTE 13 - FISCAL DISTRESS**

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2017 was \$54,499. Additionally, the School has significant liabilities at June 30, 2017 which has resulted in a deficit net position of (\$125,047). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

**NOTE 14 - MANAGEMENT PLAN**

The amount owed to Cambridge Education Group, LLC, at June 30, 2017 is for unpaid operating expenses and outstanding advances for the start-up of the School. Cambridge remains committed to the success of the School both academically and financially. During the current year, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.

WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

|   | <u>2017</u>     |
|---|-----------------|
| Contractually Required Contribution                                     | \$ 20,406       |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(20,406)</u> |
| Contribution Deficiency (Excess)  | <u>\$ 0</u>     |
| School's Covered Payroll  | \$ 145,757      |
| Contributions as a Percentage of<br>Covered Payroll                     | 14.00%          |

(1) Information prior to fiscal year 2017 is unavailable. This schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

WRIGHT PREPARATORY ACADEMY - STARK COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

|   | <u>2017</u>        |
|---|--------------------|
| Contractually Required Contribution                                     | \$ 48,962          |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(48,962)</u>    |
| Contribution Deficiency (Excess)  | <u><u>\$ 0</u></u> |
| School's Covered Payroll  | \$ 349,729         |
| Contributions as a Percentage of<br>Covered Payroll                     | 14.00%             |

(1) Information prior to fiscal year 2017 is unavailable. This schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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**

To the Members of the Board  
East Branch Preparatory Academy  
dba Wright Preparatory Academy  
Canton, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

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 East Branch Preparatory Academy dba Wright Preparatory Academy, Stark County, Ohio, (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's basic financial statements, and have issued our report thereon dated December 15, 2017, wherein we noted the accompanying financial statements have been prepared assuming the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio, will continue as a going concern.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Branch Preparatory Academy dba Wright Preparatory Academy, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**James G. Zupka,**  
**CPA, President**

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2017.12.29 09:01:24 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 15, 2017

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**EAST BRANCH PREPARATORY ACADEMY DBA WRIGHT PREPARATORY ACADEMY**

**STARK COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2018**