



**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
TABLE OF CONTENTS**

| | |
|---|----|
| Independent Accountants' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Statement of Net Assets as of June 30, 2008 | 7 |
| Statement of Revenues, Expenses and Changes in Net Assets for the Fiscal Year Ended June 30, 2008 | 8 |
| Statement of Cash Flows for the Fiscal Year Ended June 30, 2008..... | 9 |
| Notes to the Basic Financial Statements..... | 11 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |
| Schedule of Findings | 23 |
| Schedule of Prior Audit Findings | 24 |

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Directors:

We have audited the accompanying basic financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The amounts reported on the Statement of Cash Flows specifically Cash Payments to Suppliers for Goods and Services are inaccurate. Also, the notes to the financial statements did not include the following required disclosures:

- Subsequent events which occurred after the report date; and
- Disclosure of operating leases.

In addition, the pension disclosure note and postemployment benefits note was inaccurately reported. The Academy's required contributions for both notes were not accurately reported.

In our opinion, except for the effects of such adjustments, if any, as would be necessary to accurately record the amounts reported as cash flows from cash payments to suppliers for goods and services and except for the omission and inaccuracies reported in the notes to the financial statements described above, the financial statements referred to above present fairly in all material respects, the financial position of the New Day Academy Boarding and Day School, Cuyahoga County, Ohio, as of June 30, 2008 and the respective changes in financial position and cash flows thereof in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 2, 2009

NEW DAY ACADEMY BOARDING & DAY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008
(Unaudited)

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, 2008. 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 assets decreased \$77,624.
- Total assets decreased \$87,784. Cash and cash equivalents decreased \$83,947. Capital Assets decreased \$3,837.
- Liabilities decreased \$10,160. Accrued wages and benefits decreased \$13,591.

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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2008?" 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 assets for fiscal year 2008 and fiscal year 2007:

| | Table 1 Net Assets | |
|---------------------|------------------------|-------------------------|
| | 2008 | 2007 |
| Assets | | |
| Current Assets | \$121,930 | \$205,877 |
| Capital Assets, Net | 39,372 | 43,209 |
| Total Assets | <u>161,302</u> | <u>249,086</u> |
| Liabilities | | |
| Other Liabilities | 129,613 | 139,773 |
| Total Liabilities | <u>129,613</u> | <u>139,773</u> |
| Net Assets | | |
| Invested in Capital | | |
| Assets Net of Debt | 39,372 | 43,209 |
| Unrestricted | <u>(7,683)</u> | <u>66,104</u> |
| Total Net Assets | <u><u>\$31,689</u></u> | <u><u>\$109,313</u></u> |

Net assets decreased by \$77,624. Over time, net assets can serve as a useful indicator of financial position. At June 30, 2008, the Academy's assets exceeded liabilities by \$31,689.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

Table 2
Changes in Net Assets

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|------------------------|-------------------------|
| Operating Revenues | | |
| Foundation Payments | \$1,038,790 | \$903,910 |
| Lunchroom Sales | 50,343 | 7,555 |
| Extracurricular & Lunchroom Sales | 5,460 | 1,961 |
| Student Fees | 215 | 5,556 |
| Other | <u>57,201</u> | <u>19,855</u> |
| Total Operating Revenues | <u>1,152,009</u> | <u>938,837</u> |
| Operating Expenses | | |
| Salaries | 635,366 | 587,107 |
| Fringe Benefits | 241,955 | 139,532 |
| Purchased Services | 326,258 | 389,749 |
| Cost of Sales - Lunchroom | 51,546 | 43,375 |
| Supplies and Materials | 82,699 | 38,987 |
| Depreciation | 12,376 | 11,105 |
| Other | <u>21,472</u> | <u>22,007</u> |
| Total Operating Expenses | <u>1,371,672</u> | <u>1,231,862</u> |
| Operating (loss) | (219,663) | (293,025) |
| Non-Operating Revenue and Expense | | |
| Federal & State Grants | <u>142,039</u> | <u>394,468</u> |
| Total Non-Operating Revenues | <u>142,039</u> | <u>394,468</u> |
| Change in Net Assets | (77,624) | 101,443 |
| Net Assets Beginning of Year | <u>109,313</u> | <u>7,870</u> |
| Net Assets End of Year | <u><u>\$31,689</u></u> | <u><u>\$109,313</u></u> |

Net assets decreased by \$77,624. This was a result of the Academy's expenses exceeding revenues.

Capital Assets

At the end of fiscal year 2008, the Academy had \$39,372 invested in Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3
Capital Assets

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|------------------------|------------------------|
| Furniture, Fixtures and Equipment | <u>\$39,372</u> | <u>\$43,209</u> |
| Total | <u><u>\$39,372</u></u> | <u><u>\$43,209</u></u> |

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

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 Mr. Franklin Carter, Treasurer, at the New Day Academy Boarding & Day School, 7601 Harrison Avenue, Mt. Healthy, Ohio 45231 or email at franklincarter@allaboutlearningsite.org.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
Statement of Net Assets
June 30, 2008

| | |
|---|------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$121,930 |
| Total Current Assets | <u>121,930</u> |
| | |
| Non-Current Assets: | |
| Capital Assets: | |
| Depreciable Capital Assets, Net | 39,372 |
| Total Non-Current Assets | <u>39,372</u> |
| | |
| Total Assets | <u>\$161,302</u> |
| | |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | \$6,856 |
| Accrued Wages and Benefits | 117,549 |
| Payroll Tax Withholding Liabilities | 5,208 |
| Total Current Liabilities | <u>129,613</u> |
| | |
| Total Liabilities | <u>129,613</u> |
| | |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 39,372 |
| Unrestricted | <u>(7,683)</u> |
| | |
| Total Net Assets | <u>\$31,689</u> |

See accompanying notes to the basic financial statements

NEW DAY ACADEMY BOARDING & DAY SCHOOL
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

| | |
|---|----------------------------|
| Operating Revenues | |
| Foundation Payments | \$1,038,790 |
| Lunchroom Sales | 50,343 |
| Extacurricular Revenues | 5,460 |
| Student Fees | 215 |
| Other | <u>57,201</u> |
| Total Operating Revenues | <u>1,152,009</u> |
| Operating Expenses | |
| Salaries | 635,366 |
| Fringe Benefits | 241,955 |
| Purchased Services | 326,258 |
| Cost of Sales - Lunchroom | 51,546 |
| Materials and Supplies | 82,699 |
| Depreciation | 12,376 |
| Other | <u>21,472</u> |
| Total Operating Expenses | <u>1,371,672</u> |
| Operating Loss | <u>(219,663)</u> |
| Non-Operating Revenues and Expenses | |
| Federal and State Grants | <u>142,039</u> |
| Total Non-Operating Revenues and Expenses | <u>142,039</u> |
| Change in Net Assets | (77,624) |
| Net Assets Beginning of Year | <u>109,313</u> |
| Net Assets End of Year | <u><u>\$31,689</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, 2008

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

| | |
|---|-----------------|
| Cash Received from Foundation Payments | \$1,038,790 |
| Cash Received from Student Fees | 215 |
| Cash Received from Other Operating Revenues | 113,001 |
| Cash Payments to Employees for Services | (890,911) |
| Cash Payments to Suppliers for Goods and Services | (457,071) |
| Cash Payments for Miscellaneous | <u>(21,471)</u> |

Net Cash (Used) Provided by Operating Activities (217,447)

Cash Flows from Noncapital Financing Activities:

| | |
|-----------------------------------|----------------|
| State and Federal Grants Received | <u>142,039</u> |
|-----------------------------------|----------------|

Net Cash Provided by Noncapital Financing Activities 142,039

Cash Flows from Capital and Related Financing Activities:

| | |
|-------------------------------|----------------|
| Acquisition of Capital Assets | <u>(8,539)</u> |
|-------------------------------|----------------|

Net Cash Used Capital and Related Financing Activities (8,539)

Net Increase (Decrease) in Cash and Cash Equivalents (83,947)

Cash and Cash Equivalents at Beginning of Year 205,877

Cash and Cash Equivalents at End of Year \$121,930

Reconciliation of Operating Income to Net Cash Provided

Used for Operating Activities:

Operating Income (Loss) \$ (219,663)

Adjustments To Reconcile Operating Income (Loss) to Net Cash

Provided (Used) for Operating Activities:

| | |
|---|-----------------|
| Depreciation | 12,376 |
| Changes in Assets and Liabilities: | |
| Increase (Decrease) in Accounts Payable | 3,431 |
| Increase (Decrease) in Accrued Wages | <u>(13,591)</u> |

Total Adjustments 2,216

Net Cash (Used) Provided by Operating Activities \$ (217,447)

See accompanying notes to the basic financial statements

This page intentionally left blank.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

1. DESCRIPTION OF THE ACADEMY

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 of five years commencing July 1, 2005. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, 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 assets, financial position and cash flows.

B. 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 assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

Non-exchange transaction, in which the Academy receives value without directly giving equal value in return, includes 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 the first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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.

E. Capital Assets and Depreciation

The Academy maintains a capitalization threshold of one thousand dollars.

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:

| | |
|-------------------------|-------------|
| Furniture and Equipment | 5 - 7 years |
|-------------------------|-------------|

F. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets.

G. 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.

H. 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.

3. DEPOSITS

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits totaled \$121,930. As of June 30, 2008, \$21,930 of the Academy's bank balance was exposed to custodial risk because it was in excess of Federal Depository Insurance Corporation Coverage.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Investments: The Academy had no investments at June 30, 2008, or during the fiscal year.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was:

| | Balance 06/30/07 | Additions | Deletions | Balance 06/30/08 |
|--|---------------------|-----------|-----------|---------------------|
| Furniture, Fixtures, and Equipment | \$53,860 | \$8,539 | \$0 | \$62,399 |
| Total Capital Assets being Depreciated | 53,860 | 8,539 | 0 | 62,399 |
| Less Accumulated Depreciation: | | | | |
| Furniture, Fixtures, and Equipment | 10,651 | 12,376 | 0 | 23,027 |
| Total Accumulated Depreciation | 10,651 | 12,376 | 0 | 23,027 |
| Total Capital Assets, Net | \$43,209 | (\$3,837) | \$0 | \$39,372 |

5. RISK MANAGEMENT

A. 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 2008, 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.

B. 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.

6. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The Academy contributes to the School Employees Retirement System (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 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 may be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$48,192, \$16,768, and \$8,216, respectively; 52% has been contributed for fiscal year 2008 and 100% for fiscal year 2007 and 2006.

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.

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 both 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 members accounts as employers submit their payroll information to STRS Ohio, generally 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 31st 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.

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 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$113,422, \$82,270, and \$40,684, respectively; 73% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

7. POSTEMPLOYMENT BENEFITS

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 premium. The Medicare Part B premium for calendar year 2007 (latest information available) was \$93.50; 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 2007 (latest information available), the actuarially required allocation was .68%. Academy contributions for the year ended June 30, 2008 were \$2,341, which equaled the required contributions for the 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, 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 401(h). 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, 2007 (the latest information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The Academy contributions for the years ended June 30, 2008, 2007, and 2006 were \$11,428, \$1,989, and \$2,013, respectively.

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 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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 under *Forms and Publications*.

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 which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-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 programs 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 cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting 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, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy contributions for the years ended June 30, 2008, 2007, and 2006 were \$8,102, \$5,876, and \$2,906, respectively.

CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2008.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2008, the review was completed in January 2008. For the Academy, there was an insignificant variance between the amount received to date and the final payment made to the Academy. This variance will have no effect on the financial standing of the Academy.

8. PURCHASED SERVICES

For the year ended June 30, 2008, the purchased service expenses were comprised of the following:

| | |
|---|-------------------------|
| Sponsor Fees | 31,164 |
| Facility & Equipment Rentals | 102,889 |
| Telephone | 5,621 |
| Postage | 3,220 |
| Advertising | 7,771 |
| Liability Insurance | 8,266 |
| Other Administrative: | |
| Instruction & Professional Services | 113,871 |
| Treasury Services | 28,321 |
| Payroll Expenses | 2,128 |
| Janitorial Services | 4,575 |
| Human Resource & Other Purchased Services | <u>5,115</u> |
| Total Purchased Services | <u><u>\$326,258</u></u> |



Mary Taylor, CPA

Auditor of State

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

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Directors:

We have audited the basic financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2009, wherein we noted the Academy misstated amounts on the Statement of Cash Flows and presented note disclosures that were not complete and were inaccurate. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Academy's management in a separate letter dated December 2, 2009.

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, providing an opinion 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 that we must report under *Government Auditing Standards*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 2, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 2, 2009

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2008**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2008-001 |
|-----------------------|-----------------|

Financial Reporting

Section 2200.102 and 2300.106 of the Codification of Governmental Accounting and Financial Reporting Standards provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis;
- Basic financial statements which include
- Statement of Net Assets;
- Statement of Revenues, Expenditures, and Changes in Net Assets;
- Statement of Cash Flows; and
- Note disclosures

Although the Academy prepared the above noted financial statements and notes, the amount reported on the Statement of Cash Flows specifically Cash Payments to Suppliers for Goods and Services were inaccurate. Cash payments reported do not agree to the cash basis records. Therefore, the Statement of Cash Flows does not provide accurate information about how the School finances and meets its operating cash flow needs. Also, the Notes to the Financial Statements were incomplete and inaccurate. The Notes to the Financial Statements did not include the following required disclosures:

- Subsequent events which occurred after the report date; and
- Disclosure of operating leases.

In addition the pension note and the postemployment benefits note disclosures were inaccurately reported.

We recommend the Academy review the note disclosures required by the Codification of Governmental Accounting and Financial Reporting Standards to ensure complete disclosures are made.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; Explain: |
|-----------------------|------------------------|-------------------------|---|
| 2007-001 | Findings for Recovery | Yes | |
| 2007-002 | Findings for Recovery | Yes | |
| 2007-003 | Five Year Forecast | Yes | |
| 2007-004 | Petty Cash | Yes | |
| 2007-005 | Financial Reporting | No | Reissued as 2008-001 |



Mary Taylor, CPA
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 14, 2010**