Northpointe Academy
(formerly Great Lakes Environmental Academy)
Lucas County

Financial Report

June 30, 2010

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

DAVE YOST
Auditor of State

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
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Mary Taylor, CPA
Auditor of State

Board of Directors
Northpointe Academy
3248 Warsaw Street
Toledo, Ohio 43608

We have reviewed the *Independent Auditor's Report* of the Northpointe Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. 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 Northpointe Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2011

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Contents

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Independent Auditor's Report

To the Board of Directors
Northpointe Academy

We have audited the accompanying basic financial statements of Northpointe Academy (formerly Great Lakes Environmental Academy) (the "Academy") as of and for the year ended June 30, 2010 as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic 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 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2010 and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. We did not audit the information and express no opinion on it.

To the Board of Directors
Northpointe Academy

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 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, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 30, 2010

plante moran

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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 Board of Directors
Northpointe Academy

We have audited the financial statements of Northpointe Academy (formerly Great Lakes Environmental Academy) as of and for the year ended June 30, 2010 and have issued our report thereon dated November 30, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northpointe Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northpointe Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northpointe Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

To the Board of Directors
Northpointe Academy

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, and the Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 30, 2010

The discussion and analysis of Northpointe Academy's (formerly Great Lakes Environmental Academy) (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. 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.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net deficit increased $154,890, which represents a 433 percent increase from 2009. This decrease was due primarily to very low enrollment and the lessened revenue associated with it.

- Total assets decreased $50,504, which represents a 31 percent decrease from 2009. This was primarily due to capital assets being transferred.

- Liabilities increased $104,386, which represents a 52 percent increase from 2009. This increase was due primarily to an increase in contracts payable.

Using this Financial Report

This report consists of three parts - the MD&A, the basic financial statements, and notes to the financial statements. The basic financial statements include a statement of net deficit, a statement of revenue, expenses, and changes in net deficit, and a statement of cash flows.

Statement of Net Deficit

The statement of net deficit answers the question, "How did we do financially during 2010?" This statement includes all assets and liabilities, both financial and capital, and short term and long term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenue and expenses during the year, regardless of when the cash is received or paid.

Table I provides a summary of the Academy's net deficit for fiscal years 2010 and 2009:

TABLE I

	Governmental Activities	
	June 30	
	2010	2009
Assets		
Current assets	$ 110,003	$ 129,522
Capital assets - Net	4,925	35,910
Total assets	114,928	165,432
Liabilities - Current liabilities	305,568	201,182
Net Assets (Deficit)		
Invested in capital assets	4,925	35,910
Unrestricted	(195,565)	(71,660)
Total net deficit	**$ (190,640)**	**$ (35,750)**

Total assets decreased $50,504. This was primarily due to capital assets being transferred. Cash decreased by $2,558 from 2009 to 2010. Intergovernmental receivables decreased by $12,921 from 2009 to 2010, which was due to the timing of the receipt of grant funding. Capital assets, net of depreciation, decreased by $30,985 from 2009 to 2010 primarily due to being retired and/or transferred to another academy.

Table 2 shows the changes in net deficit for fiscal years 2010 and 2009, as well as a listing of revenue and expenses.

TABLE 2	Governmental Activities	
	Year Ended June 30	
	2010	2009
Operating Revenue		
Foundation payments	$ 638,646	$ 731,458
Poverty-based assistance	19,326	16,778
Charges for services	3,245	2,673
Other	24,504	-
Nonoperating Revenue		
Federal grants	288,526	245,336
State grants	3,433	3,535
Total revenue	977,680	999,780
Operating Expenses		
Salaries	325,150	262,849
Fringe benefits	111,706	86,745
Purchased services	475,017	461,938
Materials and supplies	100,592	58,367
Depreciation (unallocated)	27,960	14,767
Other expenses	11,795	4,385
Nonoperating Expenses		
Taxes	33,574	21,313
Interest	3,202	7,683
Loss on disposal of fixed assets	43,574	-
Total expenses	1,132,570	918,047
Change in Net Deficit	**$ (154,890)**	**$ 81,733**

Net deficit increased by $154,890. There was a decrease in revenue of $22,100 and an increase in expenses of $214,523 from 2009. Of the decrease in revenue, the foundation payments decreased by $92,812 and federal grant revenue increased by $43,190. Community schools receive no support from tax revenue.

The expense for salaries increased by $62,301 and the expense for fringe benefits increased $24,961 from 2009; this was primarily due to added staff and increased benefits cost. The expense for purchased services increased $13,079 from 2009 due to added speech therapy and marketing efforts. Depreciation expense decreased $13,193.

Capital Assets

At the end of fiscal year 2010, the Academy had $4,925 invested in furniture, fixtures, and equipment (net of depreciation), which represented a decrease of $30,985 from 2009. Table 3 shows capital assets (net of depreciation) for fiscal years 2010 and 2009:

TABLE 3	2010	2009
Furniture, fixtures, and equipment	$ -	$ 30,016
Vehicles	4,925	5,894
Total capital assets	**$ 4,925**	**$ 35,910**

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues and Economic Factors

Great Lakes Environmental Academy was formed in 2007 under a contract with the Ohio Council of Community Schools. Effective June 9, 2010, the Academy changed its name to Northpointe Academy. During the 2009-2010 school year, there were 70 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2010 totaled $657,972. The Academy has experienced a significant increase in student count thus far for fiscal year 2011.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 90 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Contacting the School'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 funds it receives. If you have questions about this report or need additional information, contact Don Ash, fiscal officer of Northpointe Academy, at 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or by email at don.ash@leonagroup.com.

Northpointe Academy

Statement of Net Deficit
June 30, 2010

Assets	
Current assets:	
Cash (Note 3)	$ 3,158
Intergovernmental receivables (Note 4)	73,742
Prepaid expenses	33,103
Total current assets	110,003
Noncurrent assets - Depreciable capital assets - Net (Note 5)	4,925
Total assets	114,928
Liabilities - Current	
Accounts payable	42,544
Contracts payable (Note 12)	263,024
Total current liabilities	305,568
Net Assets (Deficit)	
Invested in capital assets	4,925
Unrestricted	(195,565)
Total net deficit	**$ (190,640)**

The Notes to Financial Statements are an Integral Part of this Statement.

Northpointe Academy

Statement of Revenue, Expenses, and Changes in Net Deficit
Year Ended June 30, 2010

Operating Revenue	
Foundation payments	$ 638,646
Poverty-based assistance	19,326
Charges for services	3,245
Other revenue	24,504
Total operating revenue	685,721
Operating Expenses	
Salaries	325,150
Fringe benefits	111,706
Purchased services (Note 10)	475,017
Materials and supplies	100,592
Depreciation	27,960
Other	11,795
Total operating expenses	1,052,220
Operating Loss	(366,499)
Nonoperating Revenue (Expenses)	
Federal grants	288,526
State grants	3,433
Loss on disposal of fixed assets	(43,574)
Federal and state taxes	(33,574)
Interest	(3,202)
Total nonoperating revenue - Net	211,609
Change in Net Deficit	(154,890)
Net Deficit - Beginning of year	(35,750)
Net Deficit - End of year	**$ (190,640)**

The Notes to Financial Statements are an Integral Part of this Statement.

Northpointe Academy

Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows from Operating Activities	
Received from foundation payments	$ 638,646
Received from poverty-based assistance	19,326
Received from other operating revenue	27,749
Payments to suppliers for goods and services	(495,173)
Payments to employees for services	(320,515)
Payments for employee benefits	(111,799)
Net cash used in operating activities	(241,766)
Cash Flows from Noncapital Financing Activities	
Proceeds from state aid note	250,000
Interest expense	(3,202)
Payments on state aid note	(250,000)
Federal grants received	313,100
State grants received	3,433
Federal and state taxes	(33,574)
Net cash provided by noncapital financing activities	279,757
Cash Flows from Capital and Related Financing Activities -	
Payments for capital acquisitions	(40,549)
Net Decrease in Cash	(2,558)
Cash - Beginning of year	5,716
Cash - End of year	**$ 3,158**

The Notes to Financial Statements are an Integral Part of this Statement.

Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$	(366,499)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		27,960
Changes in assets and liabilities:		
Increase in prepaids		(7,613)
Increase in accounts payable		16,377
Increase in contracts payable		88,102
Decrease in intergovernmental payable		(93)
Total adjustments		124,733
Net cash used in operating activities	**$**	**(241,766)**

Note 1 - Description of the School and Reporting Entity

Northpointe Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Prior to June 9, 2010, the Academy's was known as Great Lakes Environmental Academy. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. 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 other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On March 14, 2007, the Academy was approved for operation under contract with The Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2012. 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 total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2010 totaled approximately $20,000.

The Academy operates under the direction of a five-member board of directors, which also is the governing board for another The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by eight certified full-time teaching personnel who provide services to 70 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (see Note 12).

Note 2 - Summary of Significant Accounting Policies

The financial statements of Northpointe Academy 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 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 Academy has also elected to follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net deficit, a statement of revenue, expenses, and changes in net deficit, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets (deficit), financial position, and cash flows.

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net deficit. The statement of revenue, expenses, and changes in net deficit presents increases (i.e., revenue) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting - The 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 unless specifically provided in the contract between the Academy and the Sponsor. The contract between the Academy and the Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

Intergovernmental Receivables - Receivables at June 30, 2010 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

Capital Assets - Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are charged to expense when incurred.

Note 2 - Summary of Significant Accounting Policies (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the lesser of their useful life or the term of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, fixtures, and equipment	3-7 years
Vehicles	8 years
Buildings and improvements	6 years

Net Deficit - Net deficit represents the difference between assets and liabilities. Invested in capital assets consists 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. The Academy has no debt related to capital assets.

Operating Revenue and Expenses - Operating revenue is revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily foundation payments and federal stabilization funds received in lieu of foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as nonoperating.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program and the state poverty-based assistance (PBA) program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Tax Status - The Academy has applied for exemption from taxes under §501(c)(3) of the Internal Revenue Code.

Note 3 - Deposits

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it may be impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the Academy's deposit balance of $23,420 had no bank deposits (checking account) that were uninsured or uncollateralized.

Note 4 - Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables is as follows:

Title I	$	23,679
Title I ARRA		11,013
Title II-A		1,172
IDEA		4,190
Child Nutrition		2,090
Charter School Grant		31,598
Total intergovernmental receivables	$	73,742

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activity				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	$ 48,088	$ 40,549	$ (88,637)	$ -
Vehicles	7,750	-	-	7,750
Buildings and improvements	2,358	-	(2,358)	-
Total capital assets being depreciated	58,196	40,549	(90,995)	7,750
Less accumulated depreciation:				
Furniture, fixtures, and equipment	18,072	26,991	(45,063)	-
Vehicles	1,856	969	-	2,825
Buildings and improvements	2,358	-	(2,358)	-
Total accumulated depreciation	22,286	27,960	(47,421)	2,825
Total capital assets being depreciated - Net	$ 35,910	$ 12,589	$ (43,574)	$ 4,925

Note 6 - Risk Management

Property and Liability - The Academy 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 fiscal year 2010, the Academy contracted with Willis North America, Inc. for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Coverages are as follows:

Educational errors and omissions:	
Per occurrence	$ 10,000,000
Total per year	10,000,000
General liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

Note 6 - Risk Management (Continued)

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

Note 7 - Defined Benefit Pension Plans

School Employees' Retirement System

Plan Description - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund healthcare benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were $7,788, $4,558, and $5,251, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Note 7 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans: a defined benefit plan (DBP), a defined contribution plan (DCP), and a combined plan (CP). The DBP offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. The CP offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $23,657, $23,699, and $26,720, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008. Contributions to the DCP and CP for fiscal year 2010 were $24,930 made by the Academy and $17,807 made by the plan members.

Note 8 - Postemployment Benefits

School Employees' Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for noncertificated retirees and their beneficiaries, a healthcare plan, and a Medicare Part B plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by state statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the healthcare benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was $757.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a healthcare premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $280, $2,086, and $1,586, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were $463, $376, and $258, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Note 8 - Postemployment Benefits (Continued)

State Teachers Retirement System

Plan Description - The Academy contributes to the cost-sharing, multiple-employer defined benefit health plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. Active employee members do not contribute to the plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,820, $1,823, and $1,909, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Note 9 - Contingencies

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, 2010.

Note 10 - Purchased Service Expenses

For the year ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors as follows:

Repairs and maintenance	$	23,550
Legal		835
Insurance		18,032
Advertising		34,551
Ohio Council of Community Schools		19,739
The Leona Group, LLC (Note 12)		114,239
Cleaning services		8,610
Other rentals and leases		4,224
Utility		28,292
Dues and fees		17,258
Other professional services		97,165
Building lease agreements		108,522
Total purchased services	$	475,017

Note 11 - Operating Leases

The Academy entered into a lease for the period from July 1, 2009 through June 30, 2010 with Hess Family, Ltd. Payments made under the lease totaled $108,522 for the fiscal year.

On July 1, 2010, the Academy assumed the lease agreement of Paul Laurence Dunbar Academy. The lease period is from July 1, 2010 through July 6, 2013, with renewal options, for use of the main building, gymnasium, and grounds as a school facility.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2010:

Fiscal Years Ending June 30		Amount
2011	$	120,000
2012		120,000
2013		120,000
Total minimum lease payments	$	360,000

Note 12 - Management Agreement

The Academy entered into a contract, effective July 1, 2007 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12 percent of revenue and a year-end fee of 50 percent of the audited financial statement excess of revenue over expenses, if any. The Academy incurred a management fee totaling $114,239 for the year ended June 30, 2010. At June 30, 2010, contracts payable includes approximately $95,000 for reimbursement of subcontracted employees and other operating costs and $168,018 for management fees. Terms of the contracts require TLG to provide the following:

- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other function necessary or expedient for the administration of the Academy

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

Note 12 - Management Agreement

For the year ended June 30, 2010, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:		
Salaries	$	325,150
Fringe benefits		111,706
Professional and technical services		128,651
Other direct costs		13,639
Total expenses	$	579,146

Note 13 - State Aid Note

During the fiscal year, the Academy borrowed $250,000 in a state aid note. The note bore interest at a floating annual interest rate equal to the prime rate, adjusted monthly. The effective rate was 3.25 percent at June 25, 2010 and the note was paid in full on June 25, 2010.

Note 14 - Management Plans

The Academy's student enrollment for the 2009-2010 school year was substantially below the level necessary for the Academy to function financially without financial assistance from the management company.

The Academy has increased enrollment dramatically for the 2010-2011 school year and should require little assistance from the management company. An extensive marketing campaign to increase enrollment during 2010-2011 was implemented.

Note 15 - Subsequent Events

Subsequent to year end, the Academy borrowed $450,000 in a state aid note. The note bears interest at a floating annual interest rate equal to the prime rate, adjusted monthly. The effective rate was 3.25 percent at June 30, 2010. The note, plus any accrued interest, is due on June 30, 2011.

Mary Taylor, CPA
Auditor of State

NORTHPOINTE ACADEMY

LUCAS 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 20, 2011

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