



Dave Yost • 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, June 30, 2011	7
Statement of Revenues, Expenses and Changes in Net Assets for the Fiscal Year Ended June 30, 2011.....	8
Statement of Cash Flows for the Fiscal Year Ended June 30, 2011	9
Notes to the Basic Financial Statements	10
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.....	25
Independent Accountants' Report on Applying Agreed-Upon Procedure	27

This page intentionally left blank.



Dave Yost • 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, 2011, 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Day Academy Boarding and Day School, Cuyahoga County, Ohio, as of June 30, 2011, 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 accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 11 to the basic financial statements, the Statement of Net Assets shows the Academy has a net deficit of \$131,180. This condition raises substantial doubt about the Academy's ability to continue as a going concern. Note 11 also describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 19, 2013

NEW DAY ACADEMY BOARDING & DAY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 by \$9,738.
- Total assets increased \$47,529. Cash and cash equivalents increased \$38,227. Accounts Receivable increased \$21,716. Capital Assets decreased \$12,414.
- Total liabilities increased \$57,267. Accrued wages and benefits increased \$8,090.

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 2011?" 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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 1 provides a summary of the Academy's net assets for fiscal year 2011 and fiscal year 2010:

	2011	2010
Assets		
Current Assets	\$69,559	\$9,616
Capital Assets, Net	11,688	24,102
Total Assets	81,247	33,718
Liabilities		
Other Liabilities	212,427	155,160
Total Liabilities	212,427	155,160
Net Assets		
Invested in Capital Assets	11,688	24,102
Unrestricted	(142,868)	(145,544)
Total Net Assets	(\$131,180)	(\$121,442)

Net assets decreased by \$9,738. Over time, net assets can serve as a useful indicator of financial position. At June 30, 2011, the Academy's liabilities exceeded assets by \$131,180.

Space intentionally left blank

NEW DAY ACADEMY BOARDING & DAY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses.

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Foundation Payments	\$1,314,071	\$1,007,664
Extracurricular Revenues	0	4,605
Student Fees	30,137	1,936
Other	44,260	87,022
Total Operating Revenues	<u>1,388,468</u>	<u>1,101,227</u>
Operating Expenses		
Salaries	923,584	726,480
Fringe Benefits	296,189	288,580
Purchased Services	406,396	454,964
Supplies and Materials	48,362	56,915
Depreciation	15,794	15,322
Other	75,941	93,462
Total Operating Expenses	<u>1,766,266</u>	<u>1,635,723</u>
Operating (loss)	(377,798)	(534,496)
Non-Operating Revenue and Expense		
Federal and State Grants	447,658	576,893
Food Service Expense	(79,598)	(119,902)
Total Non-Operating Revenues	<u>368,060</u>	<u>456,991</u>
Change in Net Assets	(9,738)	(77,505)
Net Assets Beginning of Year	<u>(121,442)</u>	<u>(43,937)</u>
Net Assets End of Year	<u><u>(\$131,180)</u></u>	<u><u>(\$121,442)</u></u>

Net assets decreased by \$9,738. This was a result of the Academy's expenses exceeding revenues.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Capital Assets

At the end of fiscal year 2011, the Academy had \$11,688 invested in Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3
Capital Assets

	<u>2011</u>	<u>2010</u>
Furniture, Fixtures and Equipment	\$11,688	\$24,102

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, 291 East 222nd Street #205, Euclid, Ohio 44123 or email at franklincarter@allaboutlearningsite.org.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

Statement of Net Assets

June 30, 2011

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$38,227
Accounts Receivable	31,332
Total Current Assets	<u>69,559</u>
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	11,688
Total Non-Current Assets	<u>11,688</u>
Total Assets	<u>\$81,247</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$43,204
Accrued Wages and Benefits	131,990
Payroll Tax Withholding Liabilities	7,678
Loan Payable	14,560
Intergovernmental Payable	14,995
Total Current Liabilities	<u>212,427</u>
Total Liabilities	<u>212,427</u>
Net Assets	
Invested in Capital Assets	11,688
Unrestricted	<u>(142,868)</u>
Total Net Assets	<u>(\$131,180)</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, 2011

Operating Revenues

Foundation Payments	\$1,314,071
Student Fees	30,137
Other	44,260
	<hr/>
Total Operating Revenues	1,388,468

Operating Expenses

Salaries	923,584
Fringe Benefits	296,189
Purchased Services	406,396
Materials and Supplies	48,362
Depreciation	15,794
Other	75,941
	<hr/>
Total Operating Expenses	1,766,266

Operating Loss (377,798)

Non-Operating Revenues and Expenses

Federal and State Grants	447,658
Food Service Expense	(79,598)
	<hr/>
Total Non-Operating Revenues and Expenses	368,060

Change in Net Assets (9,738)

Net Assets Beginning of Year (121,442)

Net Assets End of Year (\$131,180)

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, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Foundation Payments	\$1,314,071
Cash Received from Other Operating Revenues	52,681
Cash Payments to Employees for Services	(1,211,683)
Cash Payments to Suppliers for Goods and Services	(414,867)
Cash Payments for Miscellaneous	<u>(66,655)</u>

Net Cash (Used) Provided by Operating Activities (326,453)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	447,658
Food Service Expense	<u>(79,598)</u>

Net Cash Provided by Noncapital Financing Activities 368,060

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(3,380)</u>
-------------------------------	----------------

Net Cash Used Capital and Related Financing Activities (3,380)

Net Increase (Decrease) in Cash and Cash Equivalents 38,227

Cash and Cash Equivalents at Beginning of Year 0

Cash and Cash Equivalents at End of Year 38,227

Reconciliation of Operating Income to Net Cash Provided

Used for Operating Activities:

Operating Income (Loss) (377,798)

Adjustments To Reconcile Operating Income (Loss) to Net Cash
Provided (Used) for Operating Activities:

Depreciation 15,794

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	(21,716)
Increase (Decrease) in Accounts Payable	49,177
Increase (Decrease) in Accrued Wages	<u>8,090</u>

Total Adjustments 51,345

Net Cash (Used) Provided by Operating Activities: (\$326,453)

See accompanying notes to the basic financial statements

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 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. A new contract was approved for one year beginning July 1, 2010. 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.

NOTE 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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

B. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

C. 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.

D. 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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

Automobiles	4 years
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.

NOTE 3 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2011, the carrying amount of the Academy's deposits totaled \$38,227. As of June 30, 2011, all of the Academy's bank balance is under the limit 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, 2011, or during the fiscal year.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Furniture, Fixtures, and Equipment	\$77,149	\$3,380	\$0	\$80,529
Total Capital Assets being Depreciated	77,149	3,380	0	80,529
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	53,047	15,794	0	68,841
Total Accumulated Depreciation	53,047	15,794	0	68,841
Total Capital Assets, Net	<u>\$24,102</u>	<u>(\$12,414)</u>	<u>\$0</u>	<u>\$11,688</u>

NOTE 5 - RISK MANAGEMENT

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 2011, 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.

Workers Compensation

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

NOTE 6 – PENSION PLANS

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$21,072, \$27,644, and \$16,944, respectively; 17% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description

The School District 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 the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$114,102, \$83,698, and \$82,860, respectively; 56% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

NOTE 7 - POST EMPLOYMENT 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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$1,144, \$1,501, and \$908, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$2,152, \$908, and \$5,035, respectively; 17% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

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

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

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

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org 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, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$8,150, \$5,821, and \$5,919, respectively; 56% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

NOTE 8 – 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, 2011.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 2011, the review was completed in January 2011. 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.

NOTE 9 – OPERATING LEASE

The Academy is a lessee for a ten-month building operating lease for the period of September 1, 2010 through June 30, 2011 with the Shore Cultural Centre (the lessor). Rent is payable in monthly installments of \$9,040 and is due on the first day of each month.

NOTE 10 - PURCHASED SERVICES

For the year ended June 30, 2011, the purchased service expenses were comprised of the following:

Sponsor Fees	\$39,422
Facility & Equipment Rentals	150,378
Telephone	4,919
Postage	1,229
Advertising	6,602
Liability Insurance	3,437
Other Administrative:	
Instruction & Professional Services	101,745
Support	
Treasury Services	36,000
Payroll Expenses	3,183
Janitorial Services	12,102
Human Resource & Other Purchased Services	47,379
Total Purchased Services	<u><u>\$406,396</u></u>

NOTE 11 – POTENTIAL FINANCIAL DISTRESS

The Academy experienced a net deficit of \$131,180 for the fiscal year ending June 30, 2011. The Treasurer and Board plan to reduce the payroll and healthcare expense, while increasing student enrollment. This will be accomplished by increasing the class size of those grade levels that are not at capacity and eliminating staff in supporting roles who do not have the FTE to support the expense. This will allow the Academy monies at year end to support accrued wages and benefits with using the new year's resources.

NEW DAY ACADEMY BOARDING & DAY SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 12 – RELATED PARTY TRANSACTIONS

The Academy paid \$40 to Terrance Walton II, Terrance Walton's son, for advertising services, which included creating flyers, mailings and other forms of advertising for the Academy.

The Academy paid \$87 to Mark Walton, Terrance Walton's other son, for maintenance and other odd jobs such as moving equipment and furniture at the Academy.

The Academy paid \$400 to Kinja Walton, Terrance Walton's wife, who is an enrollment specialist and assists with EMIS submission. The \$400 paid to Kinja Walton was a reimbursement for supplies she purchased for students of the Academy.

The Academy paid \$818 to Donovan Boyd, Terrance Walton's brother, for staff development and conferences attended.



Dave Yost • 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 financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated April 19, 2013, wherein we noted the Academy had a net deficit balance of \$131,180 at June 30, 2011. We also expressed substantial doubt about the Academy's ability to continue as a going concern. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 19, 2013.

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

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

April 19, 2013

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

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-001

Condition of Accounting Records – Material Weakness and Material Noncompliance

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted the following:

- The Academy did not maintain deposit slips for any cash receipt transactions;
- The Academy did not maintain supporting documentation for six out of 30 transactions originally classified as other revenue;
- Checks were not issued in sequential order; and
- One disbursement transaction check was issued without an authorized signature and still cashed by the bank.

During our testing of payroll expenditures, we noted following:

- There were four instances in which STRS was underpaid and four instances in which SERS was underpaid;
- STRS and SERS payments could not be traced to the general ledger in 18 instances; and
- 13 out of 14 income tax withholding payments tested could not be traced to the general ledger.

Management failed to provide supporting documentation, consequently we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's financial records. This also resulted in adjustments to the Academy's financial statements, as further described in the subsequent finding.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of theft and other fraudulent activities.

The Academy's management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

We recommend the Academy implement and maintain controls over accounting records and transactions.

Official's Response:

The Academy has always maintained documentation for each deposit made into the Academy's account. The deposits in question are those direct deposits that result from payroll refunds or debit purchase refunds that are conducted on line. Beginning in 2012, the Academy will document all online purchases with a purchase order. The purchase order will instruct the vendor to indicate the appropriate purchase order that relates to that particular refund.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2011-002

Financial Reporting – Material Weakness

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

During fiscal year 2011, the Academy misposted 19 out of 30 transactions, or \$78,750 out of \$123,009, as other revenue. These consisted of refunds of expenditures, returned NSF fees never disbursed, or unsupported transactions.

The lack of controls over the posting of financial transactions and financial reporting resulted in the above errors and miss-postings that resulted in adjustments to the financial statements and the Academy's accounting records.

We recommend the Academy take appropriate measures to ensure that all transactions are properly posted and that all financial records and reports accurately depict the financial position of the Academy.

Official's Response:

The Academy has posted refunds from payroll and other vendors to the general ledger as deposits for several years. It has come to our attention during the 2010 and 2011 audits that this posting was incorrect. Starting in 2012, the Academy will post such refunds as general journal entries to the ledger as to not create the impression that transaction represents additional revenues to the Academy.

The Academy has used a payroll service from its inception. The payroll journals from the payroll service indicates taxes withheld as well as, employer taxes and quarterly taxes paid. This same payroll journal indicates the amounts paid to State Retirement. To that end, the Academy posted the general amount of payroll including taxes into its general ledger. Beginning in 2012, the Academy will itemize each payroll expenditure posted to its general ledger, so that the tracking of payroll expenditures will be readily assessable to the Auditor.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Condition of Accounting Records	No	Not corrected, repeated as Finding Number 2011-001
2010-002	Financial Reporting	No	Partially corrected, repeated as Finding Number 2011-002
2010-003	Entity-wide Bank Reconciliation	Yes	Corrected
2010-004	Finding for Recovery	Yes	Corrected

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether New Day Academy Boarding and Day School (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

April 19, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

NEW DAY ACADEMY BOARDING AND DAY SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2013**