



Dave Yost • Auditor of State

ZENITH ACADEMY EAST
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Zenith Academy East
Franklin County
2261 South Hamilton Road
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of Zenith Academy East, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2012, 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 Zenith Academy East, Franklin County, Ohio, as of June 30, 2012, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 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 initial "D".

Dave Yost
Auditor of State

March 21, 2013

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The discussion and analysis of Zenith Academy East's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key highlights for 2012 are as follows:

Net assets increased \$248,276 or 182%.

Total assets increased \$95,323 or 26%, due primarily that FY12 being the Academy's second full year in operation bringing expanded enrollment.

Total liabilities decreased \$152,953 or 67% due to repayment of loan.

The Academy had operating revenues of \$1,313,634, operating expenses of \$1,390,781 and non-operating revenues, consisting of federal and state grants of \$325,423.

Using this Annual Financial Report

This annual report consist a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial position. The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Net Assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net assets and change in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on Pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on Page 9 of this report.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity-wide and the fund presentations information is the same.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Table 1 below provides a summary of the Academy's net assets for 2012 compared to 2011:

**Table 1
Net Assets**

	<u>2012</u>	<u>2011</u>
Assets:		
Current and Other Assets	\$255,397	\$244,003
Capital Assets, Net of Depreciation	204,546	120,617
Total Assets	<u>\$459,943</u>	<u>\$364,620</u>
Liabilities:		
Current Liabilities	\$75,664	\$228,617
Total Liabilities	<u>\$75,664</u>	<u>\$228,617</u>
Net Assets:		
Invested in Capital Assets	\$204,546	\$120,617
Unrestricted	179,733	15,386
Total Net Assets	<u>\$384,279</u>	<u>\$136,003</u>

As previously mentioned, total assets increased \$95,323 or 26%, due primarily that FY12 being the Academy's second full year in operation bringing expanded enrollment.

Total liabilities decreased \$152,953 or 67% due to repayment of loan.

Cash and capital assets represented 85% of total assets. There is no debt related to capital assets. Capital assets are used to provide services to students and cannot be used as future spending.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Table 2 below shows the changes in net assets for fiscal years 2012 and 2011:

**Table 2
Change in Net Assets**

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Foundation	\$1,300,480	\$707,152
Miscellaneous	13,154	995
Total Operating Revenues	<u>1,313,634</u>	<u>708,147</u>
Operating Expenses:		
Salaries	614,876	654,178
Fringe Benefits	203,434	102,368
Purchased Services	475,217	293,956
Materials and Supplies	84,052	32,276
Depreciation	13,202	5,122
Total Operating Expenses	<u>1,390,781</u>	<u>1,087,900</u>
Operating Income (Loss)	(77,147)	(379,753)
Non-Operating Revenues:		
Grants	<u>325,423</u>	<u>521,960</u>
Total Non-Operating Revenues	<u>325,423</u>	<u>521,960</u>
Change in Net Assets	248,276	142,207
Net Assets at Beginning of Year	<u>(136,003)</u>	<u>(6,204)</u>
Net Assets at End of Year	<u><u>\$384,279</u></u>	<u><u>\$136,003</u></u>

Operating foundation revenues and non-operating federal and state grants represent over 99% of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 93% of the total operating expenses.

Budgeting

The Academy is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2012, the Academy had \$204,546 invested in leasehold improvements, and furniture and equipment. Table 3 shows fiscal year 2012 balances compared to 2011:

**Table 3
Capital Assets (Net of Depreciation)**

	<u>2012</u>	<u>2011</u>
Leasehold Improvements	\$130,441	\$95,296
Furniture and Equipment	<u>74,105</u>	<u>25,321</u>
Totals	<u>\$204,546</u>	<u>\$120,617</u>

For more information, see Note 6 to the basic financial statements.

Debt

The Executive Director loaned \$163,000 to the Academy for startup expenses prior to receiving funding from the Ohio Department of Education. For more information, see Note 14 to the basic financial statements.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ashfaq Tashfeen, Executive Director, Zenith Academy East, 2261 South Hamilton Road, Columbus, Ohio, 43232, by calling (614) 888-9997 or e-mail aatashfeen@yahoo.com.

ZENITH ACADEMY EAST
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets	
<i>Current Assets:</i>	
Cash	\$ 186,814
Prepaid Items	22,287
Intergovernmental Receivable	<u>46,296</u>
<i>Total Current Assets</i>	<u>255,397</u>
<i>Noncurrent Assets:</i>	
Capital Assets, Net of Accumulated Depreciation	<u>204,546</u>
<i>Total Noncurrent Assets</i>	<u>204,546</u>
Total Assets	<u>\$ 459,943</u>
Liabilities	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits	\$ 57,005
Intergovernmental Payable	<u>18,659</u>
Total Liabilities	<u>\$ 75,664</u>
Net Assets	
Invested in Capital Assets	\$ 204,546
Unrestricted	<u>179,733</u>
Total Net Assets	<u>\$ 384,279</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating Revenues:	
Foundation	\$ 1,300,480
Miscellaneous	13,154
	<hr/>
Total Operating Revenues	1,313,634
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Operating Expenses:	
Salaries	614,876
Fringe Benefits	203,434
Purchased Services	475,217
Materials and Supplies	84,052
Depreciation	13,202
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Total Operating Expenses	1,390,781
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Operating Loss	(77,147)
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Non-Operating Revenues:	
Grants	325,423
	<hr/>
Total Non-Operating Revenues	325,423
	<hr/>
Change in Net Assets	248,276
	<hr/>
Net Assets Beginning of Year	136,003
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Net Assets End of Year	\$ 384,279
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The accompanying notes to the basic financial statements are an integral part of this statement.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$ 1,283,922
Other Cash Receipts	13,154
Cash Payments to Employees for Services	(623,488)
Cash Payments for Employee Benefits	(184,775)
Cash Payments for Goods and Services	<u>(581,556)</u>
Net Cash Used in Operating Activities	<u>(92,743)</u>
Cash Flows from Noncapital Financing Activities:	
Grants	398,002
Loan from Superintendent	<u>(163,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>235,002</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(97,132)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(97,132)</u>
Net Increase in Cash	45,127
Cash Beginning of Year	<u>141,687</u>
Cash End of Year	<u><u>\$ 186,814</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (77,147)
Adjustments:	
Depreciation	13,202
Increase (Decrease) in Assets and Liabilities:	
Prepays	(22,287)
Intergovernmental Receivable	(16,558)
Accrued Wages and Benefits	(8,612)
Intergovernmental Payable	<u>18,659</u>
Total Adjustments	<u>(15,596)</u>
Net Cash Used in Operating Activities	<u><u>\$ (92,743)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

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**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Zenith Academy East (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(C) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide an educational environment wherein students at the Academy will build a foundation of knowledge, will master core skills, and will develop a life-long love of learning that will empower them to fulfill their roles as citizens. The Academy will accomplish this mission by focusing on knowledge, civic values, and service. The Academy is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations.

In April, 2010, the Board of Directors (the Board) entered into a contract with St. Aloysius Orphanage of Ohio (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the sponsor 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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 elected not to apply FASB statements issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Change in Net Assets; and a Statement of Cash Flows.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Net Assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The Statement of Cash Flows reflects how the Academy finances meet its cash flow needs.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recognized 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. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period 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.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow the budgetary provisions set forth in the 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 prescribes an annual budget requirement in addition to preparing a five-year forecast, which is updated on an annual basis.

E. Cash

Cash received by the Academy is reflected as "Cash" on the Statement of Net Assets. The Academy did not have any investments as of June 30, 2012.

F. Capital Assets and Depreciation

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 dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold Improvements	27 Years
Furniture and Equipment	5 Years
Vehicles	3-5 Years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets (Continued)

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any restricted net assets at June 30, 2012.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

I. 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 - DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balance of the Academy's deposits was \$262,214. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit of funds by the Academy.

NOTE 4 - RECEIVABLES

At June 30, 2012, receivables consisted of intergovernmental receivables of \$46,296 from the Ohio Department of Education for grants and entitlements, and full-time equivalency calculation. The receivables are expected to be collected in full within one year.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital Assets:				
Leasehold Improvements	\$98,018	\$39,359	\$0	\$137,377
Furniture and Equipment	27,721	57,773	0	85,494
Total Capital Assets	<u>125,739</u>	<u>97,132</u>	<u>0</u>	<u>222,871</u>
Less Depreciation:				
Leasehold Improvements	(2,722)	(4,214)	0	(6,936)
Furniture and Equipment	(2,400)	(8,989)	0	(11,389)
Total Depreciation	<u>(5,122)</u>	<u>(13,203)</u>	<u>0</u>	<u>(18,325)</u>
Capital Assets, Net of Depreciation	<u>\$120,617</u>	<u>\$83,929</u>	<u>\$0</u>	<u>\$204,546</u>

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(Continued)

NOTE 6 - RISK MANAGEMENT

Property and Liability Insurance

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 2012, the Academy contracted with Erie Insurance for property and general liability insurance with a \$1,000,000 single occurrence limit, \$2,000,000 annual aggregate, and \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past two years and there have been no significant reductions in insurance coverage from the prior year.

NOTE 7 - EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Medical Mutual and Americas Group. The Academy pays 75% of the monthly premium and employees pay the remaining 25%. The Academy does not provide life insurance and accidental death and dismemberment insurance to employees.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement 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 includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012 and 2011 were \$12,974 and \$28,782, respectively; 61 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

B. 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 system. 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web-site at www.strsoh.org.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan 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 member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC 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 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 these active members who die before retirement may qualify for survivor benefits. 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.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

The Academy's required contributions for pension obligations STRS Ohio for the fiscal year ended June 30, 2012 and 2011 were \$72,761 and \$58,375, respectively; 98 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

C. Social Security System

All employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, all members of the Board of Directors have elected Social Security. Board members contributed 4.2 percent of their wages, and the Academy contributed an amount equal to 6.2 percent.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 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 can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each 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 105(e). For fiscal year 2012, 0.55 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 fiscal year 2012, this amount was \$35,800.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2012 and 2011 were \$3,855 and \$1,197, respectively; 61 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 were \$695 and \$215, respectively; 61 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

B. 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which may be obtained by visiting www.strsoh.org, or by calling (888) 227-7877.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2012 and 2011 were \$5,197 and \$584, respectively; 98 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

NOTE 10 - BUILDING LEASE

The Academy leases its facilities from A+ Academy Child under a five year agreement entered into on October 15, 2010. The total amount paid during 2012 was \$147,696.

The following minimum lease payments will be made for the fiscal year ending:

Fiscal Year Ending June 30:	
2013	\$150,648
2014	153,660
2015	<u>153,660</u>
Total Minimum Lease Payments	<u>\$457,968</u>

NOTE 11 - TAX EXEMPT STATUS

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy was approved on July 14, 2011 for tax exempt status under 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's nonprofit status.

NOTE 12 - PURCHASED SERVICES

For the period of July 1, 2011 through June 30, 2012 purchased service expenses were as follows:

Professional and Technical Services	\$51,635
Sponsor Fees	38,596
Professional Development	12,975
Rent and Property Services	244,508
Legal, Accounting, Professional	21,253
Catering	<u>106,250</u>
Total	<u>\$475,217</u>

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing in 2011 with The St. Aloysius Orphanage of Ohio (the Sponsor) for its establishment. Under the contract, the following terms were agreed upon:

- The Academy shall operate in substantial compliance with its “Educational Program”, which contains the Academy’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, the Academy calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.
- The Academy shall operate in substantial compliance with a “Financial Plan”, which establishes an estimated school budget for each year and a total estimated per pupil expenditure amount for each such year.
- The Academy shall secure the services of a Chief Executive Officer, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy, and a liaison between the Academy and Sponsor.

As part of the agreement, the Academy agreed to compensate the Sponsor three percent of all funds received by the Academy from funding provided by ODE, including state start-up grants, for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. Total contract payments of \$38,596 were paid related to the provision of this contract as of June 30, 2012.

NOTE 14 - RELATED PARTY LOAN

Prior to receiving funding from the Ohio Department of Education, the Academy’s Executive Director personally loaned the Academy \$63,000 to cover general expenses as of June 30, 2010. The Academy borrowed an additional \$100,000 during 2011. There is no specific repayment schedule and no requirement to pay interest on the proceeds. The unpaid principal shall be payable in full on any future date on which the lender demands payment. The Academy has repaid the Executive Director the entire balance of \$163,000, as of June 30, 2012.

NOTE 15 - CONTINGENCIES

A. Grants and Student Attendance Review Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

ZENITH ACADEMY EAST
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 15 - CONTINGENCIES (Continued)

B. Full Time Equivalency

ODE conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for the year ended June 30, 2012 resulted in an underpayment of \$16,556.

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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*

Zenith Academy East
Franklin County
2261 South Hamilton Road
Columbus, Ohio 43232

To the Board of Directors:

We have audited the basic financial statements of Zenith Academy East, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 21, 2013. 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 21, 2013

ZENITH ACADEMY EAST
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-01

Material Weakness

Financial Statement Adjustments

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

The following adjustments were identified involving the Academy's financial statement presentation at June 30, 2012:

- Non-operating grants of \$27,372 were posted as foundation and miscellaneous receipts,
- Intergovernmental receivable of \$16,557 for ODE's FTE adjustment was not accrued,
- Accrued wages and benefits at June 30, 2011 were not reversed; and therefore, overstated \$60,681,
- Intergovernmental payable of \$8,921 for SERS surcharge was not accrued,
- Capital assets and depreciation expense errors of \$5,109 and \$1,569; respectively, were noted.

Not presenting financial information accurately resulted in the financial statements requiring the above audit adjustment entries, including additional time and effort to identify the variances and discrepancies.

We recommend the Academy's Treasurer take steps to ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP). By exercising accuracy in recording financial activity, the Academy can reduce posting errors and increase the reliability of the financial data throughout the year and at year end.

The Academy's financial statements and, where applicable, the accounting records have been adjusted to accurately reflect these adjustments.

The Treasurer should review the audit adjustments identified above to ensure that similar errors are not reported in subsequent years. In addition, the Academy should adopt policies and procedures, including a final review of the financial statements, to identify and correct errors and omissions.

Officials' Response:

The Treasurer will review the audit adjustments identified to ensure that similar errors are not reported in subsequent years. In addition, a procedure will be established for a final review of the financial statements, to identify and correct errors and omissions.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Zenith Academy East
Franklin County
2261 South Hamilton Road
Columbus, Ohio 43232

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Zenith Academy East, Franklin County, Ohio (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures 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 the Academy'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". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 21, 2013



Dave Yost • Auditor of State

ZENITH ACADEMY EAST

FRANKLIN 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
APRIL 11, 2013