



Dave Yost • Auditor of State

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
General Purpose Financial Statements:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	11
Independent Auditor's 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
Independent Accountants' Report of Applying Agreed-Upon Procedures.....	25

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Berwyn East Academy
Franklin County
1850 Bostwick Road
Columbus, Ohio 43227

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Berwyn East Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berwyn East Academy, Franklin County, Ohio as of June 30, 2014, and the change in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Berwyn East Academy (the "Academy") financial performance provides an overall review of Academy's financial activities for fiscal year 2014, which was the first year of operation for the Academy. The intent of this discussion and analysis is to look at 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 Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position was a deficit of \$49,197 at June 30, 2014.
- The Academy had operating revenues of \$547,599, operating expenses of \$606,234, non-operating revenues of \$9,896, and non-operating expenses of \$458 for fiscal year 2014. Total change in net position for the Academy's initial period of operation was a decrease of \$49,197.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provides information about the activities of Academy, including all short-term and long-term financial resources and obligations.

Reporting Academy's Financial Activities

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

The statement of net position and the statement of revenues, expenses and change in net position answer the question, "How did we do financially during our initial operating period?" 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 will take into account all of the current period's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader that, for Academy as a whole, the financial position of 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 notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-19 of this report.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Since this is the first year that Academy has prepared financial statements, comparison with the prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of Academy's net position at June 30, 2014.

Net Position	
	<u>2014</u>
<u>Assets</u>	
Current assets	\$ 3,057
Non-current assets	<u>13,374</u>
Total assets	<u>16,431</u>
<u>Liabilities</u>	
Current liabilities	58,126
Long-term liabilities	<u>7,502</u>
Total liabilities	<u>65,628</u>
<u>Net Position</u>	
Net investment in capital assets	247
Unrestricted (deficit)	<u>(49,444)</u>
Total net position (deficit)	<u>\$ (49,197)</u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2014, the Academy's net position was a deficit of \$49,197.

Current assets include the Academy's demand deposit account and an intergovernmental receivable. Current liabilities include accounts payable due to vendors for goods and services and a security deposit payable.

Non-current assets include a security deposit receivable and capital assets. Long-term obligations include a capital lease obligation for copier equipment.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The table below shows the changes in net position for fiscal year 2014.

Change in Net Position

	<u>2014</u>
<u>Operating Revenues:</u>	
Sales	\$ 29,810
State foundation	490,789
Rental income	<u>27,000</u>
Total operating revenue	<u>547,599</u>
<u>Operating Expenses:</u>	
Salaries and wages	3,240
Purchased services	571,966
Materials and supplies	17,326
Depreciation	861
Other operating	<u>12,841</u>
Total operating expenses	<u>606,234</u>
<u>Non-operating Revenues (Expenses):</u>	
State subsidies	1,765
Other non-operating revenues	8,131
Interest expense	<u>(458)</u>
Total non-operating revenues (expenses)	<u>9,438</u>
Change in net position	(49,197)
Net position at beginning of year	<u>-</u>
Net position (deficit) at end of year	<u>\$ (49,197)</u>

Fiscal year 2014 was the first year of operation for Academy. The Academy had 74 students. The Academy is reliant upon State foundation revenue to support operations.

Purchased services are the largest expenses of the Academy. The purchased services expenses were primarily paid to the Sponsor for fiscal and personnel services.

Capital Assets and Long-Term Obligations

The Academy had \$7,749 in capital assets, net of depreciation, at June 30, 2014. See Note 5 to the basic financial statements for detail.

The Academy had \$7,502 in long-term obligations (capital lease obligation) outstanding at June 30, 2014. See Note 6 to the basic financial statements for detail.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Current Financial Related Activities

The Academy is reliant upon State Foundation monies to offer quality educational services to students.

In order to continually provide learning opportunities to the Academy's students, Academy will apply resources to best meet the needs of its students. It is the intent of Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of 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 financial information contact Mr. Todd Johnson, Treasurer of Berwyn East Academy, 1850 Bostwick Road, Columbus, Ohio 43227.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current assets:

Equity in pooled cash			
Cash	\$	3,045	
Receivables:			
Intergovernmental.		12	
Total current assets		3,057	

Non-current assets:

Security deposit receivable.		5,625	
Depreciable capital assets, net		7,749	
Total non-current assets.		13,374	

Total assets		16,431	
------------------------	--	--------	--

Liabilities:

Current liabilities:

Accounts payable.		55,126	
Security deposit payable		3,000	
Total current liabilities		58,126	

Long-term liabilities:

Due within one year.		1,544	
Due within more than one year		5,958	
Total long-term liabilities		7,502	

Total liabilities		65,628	
-----------------------------	--	--------	--

Net position:

Net investment in capital assets.		247	
Unrestricted (deficit)		(49,444)	
Total net position (deficit).	\$	(49,197)	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating revenues:	
Sales	\$ 29,810
State foundation.	490,789
Rental income.	27,000
Total operating revenues.	<u>547,599</u>
 Operating expenses:	
Salaries and wages.	3,240
Purchased services.	571,966
Materials and supplies	17,326
Depreciation	861
Other operating	12,841
Total operating expenses.	<u>606,234</u>
 Operating loss	 <u>(58,635)</u>
 Non-operating revenues (expenses):	
State subsidies	1,765
Other non-operating revenues	8,131
Interest expense	(458)
Total non-operating revenues (expenses)	<u>9,438</u>
 Change in net position.	 (49,197)
 Net position at beginning of year	 <u>-</u>
 Net position (deficit) at end of year	 <u><u>\$ (49,197)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:	
Cash received from sales.	\$ 29,810
Cash received from State foundation	490,777
Cash received from rental income.	30,000
Cash payments for personal services.	(3,240)
Cash payments for purchased services.	(526,436)
Cash payments for materials and supplies	(13,355)
Cash payments for other operating expenses	(12,841)
	(5,285)
Net cash used in operating activities	(5,285)
 Cash flows from noncapital financing activities:	
Cash received from State subsidies.	1,765
Cash received other non-operating revenues.	8,131
	9,896
Net cash provided by noncapital financing activities.	9,896
 Cash flows from capital and related financing activities:	
Interest expense	(458)
Principal retirement on capital lease	(1,108)
	(1,566)
Net cash used in capital and related financing activities.	(1,566)
Net increase in cash	3,045
Cash at beginning of year	-
Cash at end of year	\$ 3,045
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (58,635)
Adjustments:	
Depreciation.	861
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(12)
(Increase) in security deposit receivable	(5,625)
Increase in accounts payable	55,126
Increase in security deposit payable.	3,000
	(5,285)
Net cash used in operating activities	\$ (5,285)

Non-cash transactions:
The Academy acquired capital assets in the amount of \$8,610 under a capital lease during fiscal year 2014.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Berwyn East Academy (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to provide students in primary grades with the best programming and teaching techniques available using Direct Instruction. The Academy 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 sponsorship under contract resolution on April 10, 2013 with North Central Ohio Educational Service Center (the "Sponsor") for a period of five years commencing on July 1, 2013 and ending June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to terminate the contract or deny renewal of the contract at its expiration.

A service contract for fiscal year 2014 between the Academy and the Sponsor was also approved on July 26, 2013. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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's significant accounting policies are described below.

A. Basis of Presentation

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

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus

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

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic 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 upon the accrual basis when the exchange takes place.

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

Cash received by the Academy is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year 2014.

F. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy has established a capitalization threshold of \$1,500. The Academy does not have any infrastructure. 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Leased equipment is being depreciated over five years.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets represents capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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. Intergovernmental Revenue

The Academy currently participates in the State Foundation Opportunity Grant, Special Education, Economic Disadvantaged, K-3 Literacy, Targeted Assistance, and Facilities Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2014 school year totaled \$490,789.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Operating grant revenue from State subsidies received during fiscal year 2014 was \$1,765.

J. Accrued Liabilities

All payables, accrued liabilities and long-term obligations are reported on the statement of net position.

K. Economic Dependency

The Academy receives approximately 89.6% of its operating revenue from the Ohio Department of Education (ODE). Due to the significance of this revenue, the Academy is considered to be economically dependent on the ODE.

L. Estimates

The preparation of basic financial statements in conformity with GAAP 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.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 3 - DEPOSITS

Custodial credit risk 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, 2014, the carrying amount and the bank balance of the Academy's deposits was \$3,045. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 4 - RECEIVABLES

Intergovernmental receivables at June 30, 2014 consisted of \$12 related to the review conducted by the ODE of enrollment data and full-time equivalency (FTE) calculations made by the schools (see Note 12.C for detail). This receivable is expected to be collected in the subsequent year.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Capital assets, being depreciated:				
Leased equipment	\$ -	\$ 8,610	\$ -	\$ 8,610
Less: accumulated depreciation				
Leased equipment	-	(861)	-	(861)
Capital assets, net	<u>\$ -</u>	<u>\$ (861)</u>	<u>\$ -</u>	<u>\$ 7,749</u>

NOTE 6 - LONG-TERM OBLIGATIONS

Capital Lease

The following is a summary of the Academy's long-term obligations activity in fiscal year 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Capital lease	<u>\$ -</u>	<u>\$ 8,610</u>	<u>\$ (1,108)</u>	<u>\$ 7,502</u>	<u>\$ 1,544</u>

During fiscal year 2014, the Academy entered into a copier lease agreement which meets the criteria for reporting as a capital lease. Capital assets consisting of leased equipment have been capitalized in the amount of \$8,610, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal and interest payments in fiscal year 2014 were \$1,108 and \$458, respectively. At June 30, 2014, the book value and accumulated depreciation of the leased equipment were \$7,749 and \$861, respectively.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 6 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 2,088
2016	2,088
2017	2,088
2018	2,088
2019	<u>522</u>
Total minimum lease payments	8,874
Less: amount representing interest	<u>(1,372)</u>
Present value of minimum lease payments	<u>\$ 7,502</u>

NOTE 7 - OPERATING LEASES

A. Operating Lease - Lessee Disclosure

The Academy and Sponsor (collectively the “lessee”) entered into an agreement to lease building space from Obermiller LLC. The initial term of the lease commenced on March 1, 2013 and ends on June 30, 2018. Upon expiration of the initial term, the lessee has the right to renew the lease for one additional period of three years. Commencing on July 1, 2013, monthly payments were established at \$5,625 per month, not to exceed \$6,000 per month, for the first fiscal year of the initial lease term. The monthly rent amount is subject to adjustment each calendar quarter based upon student enrollment, as provided by the terms included in the lease agreement. Rent payments were waived by Obermiller, LLC for fiscal year 2014.

In accordance with the lease agreement, a security deposit of one month’s rent in the amount of \$5,625 was paid by the Academy and has been reported as a receivable on statement of net position.

B. Operating Lease - Lessor Disclosure

The Academy and Sponsor (collectively the “lessor”) entered into a sublease agreement to lease classroom space to the Faith and Dreams Academy. The lease was effective October 4, 2013 through July 31, 2014. Monthly payments were established at \$3,000 per month through July 31, 2014. The lease shall automatically become a month-to-month lease at \$3,500 a month, starting on August 1, 2014, unless the lessor and lessee have agreed upon new lease terms, or unless the lessor has notified the lessee that the lease is not being renewed. The Academy received rent payments totaling \$30,000 during fiscal year 2014. On May 21, 2014, the Academy terminated the lease with Faith and Dreams Academy.

In accordance with the lease agreement, a security deposit of one month’s rent in the amount of \$3,000 was paid by the Faith and Dreams Academy and has been reported as a payable on statement of net position.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 413,648
Property services	36,124
Communications	14,053
Utilities	29,245
Contracted craft or trade	52,844
Other	<u>26,052</u>
Total	<u>\$ 571,966</u>

NOTE 9 - RISK MANAGEMENT

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 contracted personnel; and natural disasters. For fiscal year 2014, the Academy contracted with The Cincinnati Insurance Company for directors, officers, trustees and organization liability coverage with a limit of \$1,000,000 and a \$5,000 deductible.

NOTE 10 - CONTRACTS

A. Sponsor Contract

The Academy entered into a sponsorship contract commencing on July 1, 2013 and ending on June 30, 2018, with the North Central Ohio Educational Service Center (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Attend training sessions as required by the Ohio Department of Education (ODE);
- Prior to the Academy's opening for instruction, verify by a site visit whether the Academy complies with all legal and contractual requirements;
- Monitor the Academy's compliance with all applicable laws and with the terms of the contract;
- Conduct comprehensive site visits to the Academy as necessary;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Submit a written report of the evaluations conducted to the parents and students enrolled in the Academy and to ODE by November 30th of each year;
- Provide technical assistance to the Academy in complying with all laws and terms of the contract;

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 - CONTRACTS - (Continued)

- Comply with the financial reporting requirements as established by ODE, and report the Academy's financial records in accordance with applicable accounting standards and as prescribed by law;
- Notify ODE within twenty-four hours of the Academy's failure to comply with applicable laws or contract requirements, as well as any financial difficulties. If such financial difficulties occur and may result in the Sponsor's determination to declare the Academy to be on probationary status, to suspend the operations of the Academy, or terminate the contract. In such circumstances, the Sponsor shall provide written notice to ODE within 30 days of the Academy's noncompliance or financial difficulties, specifying the exact nature of the problem and the plan for and status of any resolution;
- Take steps to intervene in the Academy's operation to correct problems with overall performance, declare the Academy to be on a probationary status pursuant to Ohio Revised Code Section 3314.073, suspend the operation of the Academy pursuant to Ohio Revised Code 3314.072 or terminate the contract pursuant to Ohio Revised Code 3314.07;
- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of a school year.

The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring. The Academy paid \$14,387 in sponsor fees during fiscal year 2014.

B. Service Contract

The Academy entered into a contract with the Sponsor on July 26, 2013, to provide specialized services to the Academy for fiscal year 2014. The Sponsor provided the Academy with the following services:

- Assistant Director
- Consultant
- Instructional Assistant & Paraprofessional
- Recruiters
- Secretary
- Treasurer Services
- EMIS/SOES Services
- CSMC Software/Back Office Support Services

The Academy paid the Sponsor \$467,715 during fiscal year 2014 for specialized services.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 - PENSION PLAN AND POSTEMPLOYMENT BENEFITS

The Academy has contracted with North Central Ohio Educational Service Center (See Note 10.B) to provide employee services and to pay those employees. However, the Academy also paid a portion of salaries and wages directly to a certified employee during fiscal year 2014.

A. Pension Plan

State Teachers Retirement System of Ohio

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

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 a 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 9.5 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014 was \$421; 100 percent has been contributed for fiscal year 2014.

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 - PENSION PLAN AND POSTEMPLOYMENT BENEFITS - (Continued)

B. Postemployment Benefits

State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the 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 post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal year ended June 30, 2014 was \$32; 100 percent has been contributed for fiscal year 2014.

NOTE 12 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 are 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 effect on the financial position of the Academy.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. Full Time Equivalency

ODE conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2014 reviews, the ODE owed the Academy \$12 and has reported this amount as an intergovernmental receivable on the statement of net position.

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

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

Berwyn East Academy
Franklin County
1850 Bostwick Road
Columbus, Ohio 43227

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Berwyn East Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 9, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

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, opining 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*.

Academy's Response to Finding

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015

**BERWYN EAST ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

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

FINDING NUMBER 2014-001

Significant Deficiency – Monthly Bank Reconciliations

Monthly bank reconciliations should be performed by the Treasurer or other knowledgeable assigned personnel to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Documentation supporting all reconciling items should be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board.

When bank reconciliations are not properly performed timely, monthly fund balances may be understated or overstated and management cannot be assured that the ledgers reflect the proper financial activities of the Academy. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to errors, irregularities, or misappropriation of the Academy's assets.

During fiscal year 2014, the Academy's checking account was not consistently reconciled timely, with the August and September reconciliation being completed November 16th, the April reconciliation being completed June 16th, and the June reconciliation being completed October 16th.

We recommend the Treasurer timely perform monthly bank to book reconciliations.

Officials' Response:

The Board has hired a new treasurer and bank reconciliations are now being completed in a timely manner.

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Berwyn East Academy
Franklin County
1850 Bostwick Road
Columbus, Ohio 43227

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 Berwyn East Academy, 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 Board adopted an anti-harassment policy on November 20, 2013.
2. We read the policy, noting it included all requirements listed in Ohio Rev. Code 3313.666.

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 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".

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015

This page intentionally left blank.



Dave Yost • Auditor of State

BERWYN EAST ACADEMY

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
OCTOBER 20, 2015**