

# UBAH Math and Reading Preparatory Academy Franklin County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

Board of Trustees  
UBAH Math and Reading Preparatory Academy  
3850 Sullivant Avenue  
Columbus, OH 43228

We have reviewed the *Independent Auditor's Report* of the UBAH Math and Reading Preparatory Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The UBAH Math and Reading Preparatory Academy is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 17, 2015

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**UBAH MATH AND READING PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO**

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December 31, 2014

To the Board of Directors  
UBAH Math and Reading Preparatory Academy  
Franklin County, Ohio  
3850 Sullivant Avenue  
Columbus, OH 43228

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of UBAH Math and Preparatory Academy (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

**Financial Highlights**

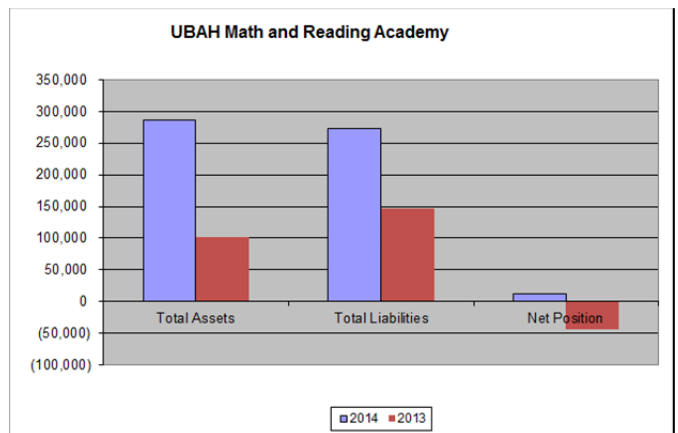
Key financial highlights for fiscal year 2014 are as follows:

- Total Net Position increased \$56,993, 128.5% in fiscal year 2014.
- Total revenues increased 129.3% from \$598,942 in fiscal year 2013 to \$1,373,539 in fiscal year 2014.
- Total expenses increased 104.6% from \$643,295 in fiscal 2013 to \$1,316,546 in fiscal year 2014.
- Current liabilities increased 74.8%, \$109,714 with current assets increasing 112.5%, \$115,114 in fiscal year 2014.
- The School has \$91,223 in capital lease and construction payables as of June 30 2014.

**Using this Financial Report**

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



These statements report the School's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.



**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2014. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position for 2014 compared to the prior year.

**(Table 1)  
Statement of Net Position**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current Assets	\$ 132,498	\$ 17,384
Capital Assets, Net	153,995	84,935
<b>Total Assets</b>	<b>286,493</b>	<b>102,319</b>
<b>Liabilities</b>		
Current Liabilities	256,386	146,672
Long Term Liabilities	17,467	-
<b>Total Liabilities</b>	<b>273,853</b>	<b>146,672</b>
Net Investment in Capital Assets	83,995	(10,065)
Unrestricted	(71,355)	(34,288)
<b>Total Net Position</b>	<b>\$ 12,640</b>	<b>\$ (44,353)</b>

Total assets increased \$184,174 due primarily to increases in intergovernmental receivables and capital assets. Total liabilities increased \$127,181 due primarily to increases in capital leases payable and accounts payable.

**Statement of Revenues, Expenses and Change in Fund Net Position**

Table 2, below, demonstrates the net position for fiscal year 2014 compared to the prior year, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues</u></b>		
Foundation	\$ 1,142,732	\$ 501,007
Casino Revenue	5,254	1,486
Miscellaneous Operating	8,584	5,657
<b><u>Non-Operating Revenues</u></b>		
Grants	216,969	90,792
Total Revenues	<u>1,373,539</u>	<u>598,942</u>
<b><u>Operating Expenses</u></b>		
Salaries	500,875	221,470
Fringe Benefits	118,610	45,204
Purchased Services	537,527	321,609
Materials and Supplies	90,289	18,627
Depreciation	31,530	20,531
Other	34,035	15,854
<b><u>Non-Operating Expenses</u></b>		
Interest on Notes Payable	3,680	-
Total Expenses	<u>1,316,546</u>	<u>643,295</u>
Change in Net Position	<u>\$ 56,993</u>	<u>\$ (44,353)</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 84% of revenues while federal made up the remaining. The School's most significant expense Purchased Services represents 41% of total expenses which represent payments to various vendors. Increases in both these categories were due to increase in enrollment figures.

***Budgeting Highlights***

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees.

**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2014, the School had capital assets, net of accumulated depreciation in the amount of \$153,995, an increase of \$69,060 from fiscal year 2013. See Note 12 to the financial statements for further information.

**Capital Lease and Construction Payable**

At June 30 2014, the School has outstanding capital lease payables totaling \$21,223 and construction payables totaling \$70,000. See Notes 19 and 11 for further information.

**Current Financial Related Activities**

The School is in its second year and enrollment is at 190 students as of November 2014. The financial outlook over the next several years shows continued growth in enrollment. But, future revenue increases are cautious due to Ohio's weak economic recovery.

**Contacting Management**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, Fiscal Officer for the UBAH Math and Preparatory, 65 E. Wilson Bridge Rd Suite 200, Worthington, OH 43085 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

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**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 49,769
Accounts Receivable	3,876
Prepaid Rent	10,000
Intergovernmental Receivable	<u>68,853</u>
 Total Current Assets	 <u>132,498</u>

*Noncurrent Assets:*

Capital Assets:

Depreciable Capital Assets, net	<u>153,995</u>
 Total Assets	 <u>286,493</u>

**Liabilities**

*Current Liabilities:*

Accounts Payable	87,965
Accrued Wages and Benefits	65,313
Intergovernmental Payable	29,352
Capital Lease Payable, due within one year	3,756
Construction Payable	<u>70,000</u>
 Total Current Liabilities	 <u>256,386</u>

*Long-Term Liabilities:*

Capital Lease Payable, due in more than one year	<u>17,467</u>
 Total Liabilities	 <u>273,853</u>

**Net Position**

Net Investment In Capital Assets	83,995
Unrestricted	<u>(71,355)</u>
 Total Net Position	 <u>\$ 12,640</u>

See accompanying notes to the basic financial statements

**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Operating Revenues</b>	
State Aid	\$1,142,732
Casino Revenue	5,254
Miscellaneous Operating Revenue	<u>8,584</u>
Total Operating Revenues	<u>1,156,570</u>
<b>Operating Expenses</b>	
Salaries	500,875
Fringe Benefits	118,610
Purchased Services	537,527
Materials and Supplies	90,289
Depreciation	31,530
Other	<u>34,035</u>
Total Operating Expenses	<u>1,312,866</u>
Operating Income (Loss)	<u>(156,296)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest on Notes Payable	(3,680)
Grants	<u>216,969</u>
Total Non-Operating Revenues (Expenses)	<u>213,289</u>
<b>Change in Net Position</b>	56,993
<b>Net Position Beginning of Year</b>	<u>(44,353)</u>
<b>Net Position End of Year</b>	<u>\$ 12,640</u>

See accompanying notes to the basic financial statements

**UBAH MATH AND READING ACADEMY  
FRANKLIN COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from (Used In) Operating Activities**

Cash Received from State	\$1,147,986
Cash Received from Other Operating Sources	8,584
Cash Payments to Employees for Services	(470,422)
Cash Payments for Employee Benefits	(118,610)
Cash Payments for Goods and Services	(525,490)
Other Cash Payments	<u>(36,686)</u>

Net Cash Provided by (Used in) Operating Activities 5,362

**Cash Flows from Noncapital Financing Activities**

Grants Received 148,116

**Cash Flows from Capital and Related Financing Activities**

Cash Payments for Capital Assets	(76,710)
Interest Paid-Capital Lease Payable	(3,408)
Interest Paid Notes Payable	(271)
Principal Payments-Capital Lease Payable	(2,656)
Deferred Payments-Construction Payable	(25,000)
Principal Payments-Notes Payable	<u>(10,000)</u>

Net Cash Provided by (Used in) Financing Activities (118,045)

Net Increase (Decrease) in Cash and Cash Equivalents 35,433

Cash and Cash Equivalents Beginning of Year 14,336

**Cash and Cash Equivalents End of Year** \$ 49,769

**Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities**

Operating Gain (Loss) \$ (156,296)

Adjustments:

Depreciation 31,530

Changes in Assets and Liabilities:

Accounts Receivable (3,876)

Prepaid Rent (10,000)

Accounts Payable 85,670

Intergovernmental Payable 30,453

Accrued Wages and Benefits 27,881

Net Cash Provided by (Used in) Operating Activities \$ 5,362

**Non-Cash Transaction:** During the fiscal year, the School entered into a capital lease to purchase a copier totaling \$23,880.

See accompanying notes to the basic financial statements

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**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

UBAH Math and Preparatory Academy (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with St. Aloysius Orphanage (the Sponsor) for a period of three years from July 1, 2012 through June 30, 2015. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to 190 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**A. BASIS OF PRESENTATION**

The School'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.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows or resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

purposes. 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. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

**C. BUDGETARY PROCESS**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School 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 Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. CASH AND CASH EQUIVALENTS**

All cash received by the School is maintained in a demand deposit account. The School did not have any investments during fiscal year 2014.

**E. CAPITAL ASSETS AND DEPRECIATION**

For purposes of recording capital assets, the Board has a capitalization threshold of \$1,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation at \$ 153,995. Depreciation is computed by the straight-line method over three years for "Furniture and Fixtures", and five to twenty years for "Leasehold Improvements".

**F. INTERGOVERNMENTAL REVENUES**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under State, Facilities and Casino Aid on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2014 school year totaled \$1,364,955.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. OPERATING REVENUES AND EXPENSES**

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

**H. NET POSITION**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net position at year end is unrestricted and net investment in capital assets which consists of capital assets net of accumulated depreciation minus any outstanding capital related obligations. No restricted net position existed at June 30, 2014.

**I. USE OF ESTIMATES**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. DEPOSITS**

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30 2014, the carrying amount of the School's deposits was \$49,769 and the bank balance was \$111,069. Of the bank balance, all was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure, \$0 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**4. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with the O'Neil Group for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last two years.

**Director and Officer** - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible. **Worker's Compensation** - The School is responsible for paying the State Workers Compensation System a premium for employee injury coverage.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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 can be obtained on the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The school's contributions to SERS for the year ended June 30, 2014 and 2013 was \$16,907 and \$6,466, respectively of which 100% has been contributed.

**B. STATE TEACHERS RETIREMENT SYSTEM**

**Plan Description** – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is 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, which 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 website at [www.strsoh.org](http://www.strsoh.org).

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 DB Plan and the DC 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.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS (continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM (continued)**

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 -** For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2014, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2014 and 2013 was \$58,251 and \$19,890, respectively, of which 100% has been contributed

**6. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement Systems**

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

**Medicare Part B**

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90; the SERS reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2014, the actuarial required allocation is .74 percent. The School's contributions for the years ended June 30 2014 and 2013, was \$906 and \$346.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. POSTEMPLOYMENT BENEFITS (continued)**

**A. School Employee Retirement Systems (continued)**

**Health Care Plan**

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

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30 2014, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year ended June 30 2014, the minimum compensation level was established at \$20,525. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care including surcharge for the year ended June 30 2014 and 2013 was \$1,016 and \$79, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status. The financial reports of the SERS Health Care and Medicare B Plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS website [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement Systems**

**Plan Description** - The School, contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physician's 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](http://www.strsoh.org) or by calling (888) 227-7877.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. POSTEMPLOYMENT BENEFITS (continued)**

**A. School Employee Retirement Systems (continued)**

**Funding Policy** – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30 2014. The 14% employer contribution rate is the maximum rate established under Ohio law. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal year ended June 30 2014 was \$1,421, as all contributions were paid.

**7. CONTINGENCIES**

**A. GRANTS**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

**B. FULL TIME EQUIVALENCY**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (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. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2014 are immaterial and will be included in the financial activity for fiscal year 2015.

**8. FEDERAL TAX STATUS**

The School was approved under section 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**9. SPONSORSHIP FEES**

The School contracts with St. Aloysius to be its sponsor effective July 1, 2012. The contract states "...the annual sponsorship fee to be paid to St. Aloysius be set at 3% of the State's annual School Foundation support..." The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Amount paid to St. Aloysius for fiscal year 2014 was \$33,977.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. NOTES PAYABLE**

At July 1, 2013, the School had a loan balance from Elisia Brugger totaling \$10,000. This note calls for payments to commence on July 30, 2013 at an interest rate of 4%. Principal payments for the year totaled \$10,000 and interest payments totaled \$271 during the year. A summary of the activity of the School's note payable for the year is as follows:

Note Payable	Beginning Balance	Additions	Deletions	Ending Balance
Operating Loan	\$ 10,000	-	\$10,000	\$ -

**11. CONSTRUCTION PAYABLE**

At June 30, 2014, the School has a balance from Innovative Construction Concepts totaling \$70,000. The vendor performed leasehold Improvements on the building during fiscal year 2013 totaling \$95,000. The vendor is allowing the school to pay the contract as funds become available with no interest due. Principal payments totaled \$25,000 during the year.

**12. CAPITAL ASSETS**

A summary of the School's capital assets at June 30, 2014, follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Depreciable Capital Assets:				
Furniture and Fixtures	\$ 10,466	\$ 100,590	\$ -	\$ 111,056
Leasehold Improvements	95,000	-	-	95,000
Total Capital Assets being Depreciated	105,466	100,590	-	206,056
Less Accumulated Depreciation				
Furniture and Fixtures	(1,531)	(12,530)	-	(14,061)
Leasehold Improvements	(19,000)	(19,000)	-	(38,000)
Total Accumulated Depreciation	(20,531)	(31,530)	-	(52,061)
Total Capital Assets being Depreciated, Net	\$ 84,935	\$ 69,060	\$ -	\$ 153,995



**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**13. PURCHASED SERVICES**

For the period July 1, 2013 through June 30, 2014, purchased service expenses were for the following services:

Professional Services	\$ 211,618
Property Services	194,953
Travel and Professional Development	610
Communications	8,843
Utilities	19,357
Contract Trade	98,694
Transportation	<u>3,452</u>
Total	<u>\$ 537,527</u>

**14. ACCOUNTS RECEIVABLES AND PREPAIDS**

At June 30, 2014, the school had various accounts receivable and prepaid assets. Accounts receivable represent amounts due from vendors during the course of operations. Intergovernmental receivables consist of federal assistance (CCIP) which eligibility requirements have been met (earned) at June 30, 2014, but the cash was not received by year end. Prepaid Rent represents rent paid at the end of June for the July 1<sup>st</sup> rent due.

**15. ACCOUNTS PAYABLE**

At June 30, 2014, the school had accounts payable totaling \$87,965 due various vendors during the normal course of conducting operations. The School had an intergovernmental payable of \$29,352 for amounts due for various payroll liabilities to government agencies.

**16. ACCRUED WAGES AND BENEFITS**

Accrued wages and benefits were \$65,313 at June 30, 2014 which represents wages, with associated benefits, earned and not paid at June 30, 2014 for certain School teachers paid over a 12 month period.

**17. OPERATING LEASES – LESSEE DISCLOSURE**

The School leases space from Hillo Real Estate, LLC located at 3850 Sullivant Avenue beginning August 1, 2012 for three (3) years and ending July 31, 2015. The School pays a monthly payment of \$10,000. Total paid for fiscal year 2014 was \$120,000.

**UBAH MATH AND PREPATORY ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**18. CHANGE IN ACCOUNTING PRINCIPLES**

For 2014, the School has implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

**19. CAPITAL LEASE OBLIGATIONS**

The school entered into a capitalized lease for the acquisition of a copier totaling \$23,880 during fiscal year 2014. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of \$23,880. The School paid \$2,656 in principal and \$3,408 in interest for the fiscal year ended June 30, 2014. \$3,756 in principal payments are due in one year.

Fiscal Year	Capital Lease
2015	\$ 7,277
2016	7,277
2017	7,277
2018	7,277
2019	1,204
Total	30,312
Less: Amount Representing Interest	(9,089)
Present Value of minimum payments	\$ 21,223

**20. SUBSEQUENT EVENTS**

Effective July, 2014 the School has officially changed its name to Newbridge Math & Reading Preparatory Academy.

December 31, 2014

To the Board of Directors  
UBAH Math and Reading Preparatory Academy  
Franklin County, Ohio  
3850 Sullivant Avenue  
Columbus, OH 43228

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the UBAH Math and Reading Preparatory Academy, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 31, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

Medina, Ohio

December 31, 2014

To the Board of Directors  
UBAH Math and Reading Preparatory Academy  
Franklin County, Ohio  
3850 Sullivant Avenue  
Columbus, OH 43228

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

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 was agreed to by the Board, solely to assist the Board in evaluating whether the UBAH Math and Reading Preparatory Academy, Franklin County, Ohio (the School) 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 procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated February 24, 2014, we noted the Board adopted an anti-harassment policy on November 14, 2012. However, this policy did not include all matters required by Ohio Rev. Code Section 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the policy. The policy lacks the flowing required by Ohio Rev. Section 3313.666; prohibiting harassment, intimidation, or bullying of any student "on a school bus".

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 of Directors and Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio

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# Dave Yost • Auditor of State

**UBAH MATH AND READING PREPARATORY 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  
MAY 7, 2015**