



Dave Yost • Auditor of State

ZENITH ACADEMY EAST
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Change in Net Position	8
Statement of Cash Flows	9
Notes to the Basic 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>	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	22

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Zenith Academy East, 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 Zenith Academy East, Franklin County, Ohio as of June 30, 2014, and the changes 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 March 4, 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

March 4, 2015

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

Financial Highlights

Key highlights for 2014 are as follows:

Net position was \$315,196, an increase of 30% from FY13 due primarily to FY14 being the Academy's fourth full year in operation bringing increased revenues due to expanded enrollment.

Total assets increased \$133,368 while total liabilities increased \$60,346 primarily due to the result of increases in revenues and employee wages due to expanded enrollment.

The Academy had operating revenues of \$2,083,843, operating expenses of \$2,479,983 and non-operating revenues, consisting of federal and state grants and other nonoperating revenues of \$469,462.

Using this Annual Financial Report

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

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

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

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

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

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

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Table 1 below provides a summary of the Academy's net position for 2014 compared to 2013.

**Table 1
Net Position**

	<u>2014</u>	<u>2013</u>
Assets:		
Current and Other Assets	\$288,443	\$134,545
Capital Assets, Net of Depreciation	221,903	242,433
Total Assets	<u>510,346</u>	<u>376,978</u>
Liabilities:		
Current Liabilities	195,150	134,804
Total Liabilities	<u>195,150</u>	<u>134,804</u>
Net Position:		
Invested in Capital Assets	221,903	242,433
Unrestricted	93,293	(259)
Total Net Position	<u>\$315,196</u>	<u>242,174</u>

As previously mentioned, total assets increased \$133,368 or 30%, while total liabilities increased \$60,346 or 45% due primarily to completing its fourth full year in operation bringing a higher level of enrollment and increased costs for the Academy.

Cash and capital assets represented 79% of total assets. There is no debt related to capital assets. Capital assets are used to provide services to students and cannot be used as future spending.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Table 2 below shows the changes in net position for fiscal years 2014 and 2013:

**Table 2
Change in Net Position**

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Foundation	\$2,063,862	\$1,549,558
Miscellaneous	19,681	3,817
Total Operating Revenues	<u>2,083,543</u>	<u>1,553,375</u>
Operating Expenses:		
Salaries	1,052,354	862,445
Fringe Benefits	310,466	239,924
Purchased Services	1,045,626	871,265
Materials and Supplies	43,405	113,730
Depreciation	28,132	26,204
Total Operating Expenses	<u>2,479,983</u>	<u>2,113,568</u>
Operating (Loss)	(396,440)	(560,193)
Non-Operating Revenues:		
Grants	456,536	418,088
Unrestricted Grants-in-Aid	12,926	0
Total Non-Operating Revenues	<u>469,462</u>	<u>418,088</u>
Change in Net Position	73,022	(142,105)
Net Position at Beginning of Year	<u>242,174</u>	<u>384,279</u>
Net Position at End of Year	<u>\$315,196</u>	<u>\$242,174</u>

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

Employee salaries and benefits and purchased service expenditures represent 97% percent of the total expenses.

Budgeting

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

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2014, the Academy had \$221,902 invested in leasehold improvements, and furniture and equipment. Table 3 shows fiscal year 2014 balances compared to 2013:

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

	<u>2014</u>	<u>2013</u>
Leasehold Improvements	\$161,874	\$168,602
Furniture and Equipment	<u>60,029</u>	<u>73,831</u>
Totals	<u>\$221,903</u>	<u>\$242,433</u>

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

Current Financial Issues

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the Academy in future fiscal years due to the State's current economic environment. The Academy is expected to continue to grow in both the number of students to 300, as well as the number of instructional staff, as it enters into its fifth of operations, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid. The Academy began to receive state transportation funding in 2014, which was and will continue to be an additional revenue source.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ashfaq Tashfeen, Executive Director, Zenith Academy East, 4606 Heaton Road, Columbus, Ohio, 43229, by calling (614) 888-9997 or e-mail aatashfeen@yahoo.com.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

<hr/> <hr/>	
Assets	
<i>Current Assets:</i>	
Cash	\$ 182,013
Intergovernmental Receivable	71,735
Prepaid Items	<u>34,695</u>
<i>Total Current Assets</i>	<u>288,443</u>
<i>Noncurrent Assets:</i>	
Capital Assets, Net of Accumulated Depreciation	<u>221,903</u>
<i>Total Noncurrent Assets</i>	<u>221,903</u>
Total Assets	<u><u>\$ 510,346</u></u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 4,788
Accrued Wages and Benefits	169,158
Intergovernmental Payable	<u>21,204</u>
Total Liabilities	<u><u>\$ 195,150</u></u>
Net Position	
Invested in Capital Assets	\$ 221,903
Unrestricted	<u>93,293</u>
Total Net Position	<u><u>\$ 315,196</u></u>

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

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

Operating Revenues:	
Foundation	\$ 2,063,862
Miscellaneous	19,681
	<hr/>
Total Operating Revenues	2,083,543
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Operating Expenses:	
Salaries	1,052,354
Fringe Benefits	310,466
Purchased Services	1,045,626
Materials and Supplies	43,405
Depreciation	28,132
	<hr/>
Total Operating Expenses	2,479,983
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Operating Loss	(396,440)
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Non-Operating Revenues:	
State and Federal Grants	456,536
Other Non-Operating	12,926
	<hr/>
Total Non-Operating Revenues	469,462
	<hr/>
Change in Net Position	73,022
	<hr/>
Net Position Beginning of Year	242,174
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Net Position End of Year	\$ 315,196
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The accompanying notes to the basic financial statements are an integral part of this statement.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$ 2,060,312
Other Cash Receipts	19,681
Cash Payments to Employees for Services	(1,019,572)
Cash Payments for Employee Benefits	(277,869)
Cash Payments for Goods and Services	<u>(1,117,618)</u>
Net Cash Used in Operating Activities	<u>(335,066)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Grants	467,737
Other Non-Operating	<u>12,926</u>
Net Cash Provided by Noncapital Financing Activities	<u>480,663</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(7,601)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(7,601)</u>
Net Increase in Cash	137,996
Cash Beginning of Year	<u>44,017</u>
Cash End of Year	<u><u>\$ 182,013</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (396,440)
Adjustments:	
Depreciation	28,132
(Increase) in Assets:	
Intergovernmental Receivable	(3,550)
Prepaid Items	(23,552)
Increase in Liabilities:	
Accounts Payable	966
Accrued Wages and Benefits	46,841
Intergovernmental Payable	<u>12,537</u>
Total Adjustments	<u>61,374</u>
Net Cash Used in Operating Activities	<u><u>\$ (335,066)</u></u>

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

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**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the sponsor contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus

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

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus (Continued)

Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Budgetary Process

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

D. Cash

Cash received by the Academy is reflected as “Cash” on the Statement of Net Position. The Academy did not have any investments as of June 30, 2014.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

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

Leasehold Improvements	27 Years
Furniture and Equipment	5 Years

F. Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation. Net Position are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Academy did not have any restricted net position at June 30, 2014.

G. 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.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy' deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2014, the bank balances of the Academy's deposits were \$245,777. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit of funds by the Academy.

NOTE 4 - RECEIVABLES

At June 30, 2014, receivables consisted of intergovernmental receivables of \$71,735 from the Ohio Department of Education for grants and entitlements. The receivables are expected to be collected in full within one year.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets:				
Leasehold Improvements	\$181,648	\$0	\$0	\$181,648
Furniture and Equipment	105,313	7,601	0	112,914
Total Capital Assets	<u>286,961</u>	<u>7,601</u>	<u>0</u>	<u>294,562</u>
Less Depreciation:				
Leasehold Improvements	(13,046)	(6,727)	0	(19,773)
Furniture and Equipment	(31,482)	(21,404)	0	(52,886)
Total Depreciation	<u>(44,528)</u>	<u>(28,132)</u>	<u>0</u>	<u>(72,659)</u>
Capital Assets, Net of Depreciation	<u>\$242,433</u>	<u>(\$20,531)</u>	<u>\$0</u>	<u>\$221,903</u>

NOTE 6 - RISK MANAGEMENT

A. Property and Liability Insurance

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the Academy contracted with Morgan, Trevathan, & Gunn, Inc. for property and general liability insurance with a \$1,000,000 single occurrence limit, \$2,000,000 annual aggregate, and \$1,000 deductible.

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

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 7 - EMPLOYEE BENEFITS

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% 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 statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 39,022, \$28,382, and \$12,974 respectively; 94% percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple employer public employee retirement system, STRS Ohio provides a retirement d disability benefits to members and death and survivor benefits to Beneficiaries. STRS Ohio issues a standalone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888)227-7877, or by visiting the STRS Ohio website at 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 member's lifetime contributions and earned interests matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all there 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.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60: the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – Chapter 3307 of the Ohio revised code provides statutory authority for member and employer contributions. Contribution rates are established by 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. The statutory maximum employee contribution rate was increased one percent beginning July 1, 2013 and will increase one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 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

The Academy's required contributions for pension obligations STRS Ohio for the DB Plan for the fiscal years ended June 30, 2014, 2013 and 2012 were \$131,240, \$98,743, and \$72,761, respectively. 87 percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, all members of the Board of Directors have elected Social Security. Board members contributed 6.2 percent of their wages. The Academy contributed an amount equal to 6.2 percent.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the Academy paid \$3,507 in surcharge.

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

The Academy's contributions for health care for the fiscal year ended June 30, 2014, 2013, and 2012 were \$11,595, \$7,950, and \$3,855, respectively. 94 percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2014, were \$2,063, \$1,433, and \$695, respectively. 94 percent has been contributed for fiscal year 2014.

B. State Teachers Retirement System

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

Funding Policy - Ohio Revised code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal year ended June 30, 2014, 2013 and 2012 were \$9,374, \$6,167, and \$5,197, respectively. 87 percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

NOTE 10 - BUILDING LEASE

The Academy leases its facilities from the Academy Child under a five year agreement entered into on October 15, 2010. The total amount paid during 2014 was \$282,620.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 10 - BUILDING LEASE (Continued)

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

Fiscal Year Ending June 30:	
2015	\$282,240
Total Minimum Lease Payments	<u>\$282,620</u>

NOTE 11 - TAX EXEMPT STATUS

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

NOTE 12 - PURCHASED SERVICES

For the period of July 1, 2013 through June 30, 2014 purchased service expenses were as follows:

Technical Services	\$28,418
Pupil Transportation	250,816
Rent and Property Services	391,831
Legal, Accounting, Professional	82,351
Catering	213,229
Sponsor Fees	61,066
Other	17,915
Total	<u>\$1,045,626</u>

NOTE 13 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing in 2010 with The St. Aloysius Orphanage of Ohio (the Sponsor) for its establishment. Under the contract, the following terms were agreed upon:

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

As part of the agreement, the Academy agreed to compensate the Sponsor three percent of all funds received by the Academy from funding provided by ODE, including state start-up grants, for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. Total contract payments of \$61,066 were paid related to the provision of this contract as of June 30, 2014.

**ZENITH ACADEMY EAST
FRANKLIN COUNTY**

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

NOTE 14 - RELATED PARTY TRANSACTION

The Academy employed Asheer Tashfeen, the son of the Executive Director, as EMIS Coordinator. The Academy paid \$30,000 in 2014 for services related to the position.

NOTE 15- CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the Academy at June 30, 2014.

B. Full Time Equivalency

ODE conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for the year ended June 30, 2014 resulted in additional funds owed to the Academy, which is reported as intergovernmental receivable.

C. Community Schools

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted are not yet available, but ODE believes this will result in receivables to the schools affected.



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

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

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 Zenith Academy East, 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 March 4, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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

March 4, 2015

ZENITH ACADEMY EAST
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

Financial Statement Adjustments - Material Weakness

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

The following adjustments were identified in the Academy's financial statements at June 30, 2014:

- \$12,926 in casino revenue was reclassified to Other Restricted Grants in Aid
- NSLP and Economic Development funds of \$7,651 were reclassified from Foundation to State and Federal grants,
- Board Member salaries of \$7,600 were posted as Purchased Services and were reclassified as Salaries,
- Board paid STRS/SERS, Medicare Taxes, and Unemployment Benefits of \$49,256 were recorded as Salaries and reclassified as a Fringe Benefit Expenses
- Accrued wages and benefits was understated by \$20,600 and intergovernmental payables was understated by \$5,843.

As a result of the aforementioned reclassifications, Cash Payments to Employees for Services was overstated \$49,094 while Cash Payments for Employee Benefits was understated \$56,695 in the Cash Flows Statement.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustments, including the additional time and effort to identify the variances and discrepancies.

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

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

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

Official's Response:

The Academy will implement corrective actions to the finding to ensure improved GAAP accounting principles are followed.

ZENITH ACADEMY EAST
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Financial statement adjustments	No	Repeated as Finding Number 2014-001



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ZENITH ACADEMY EAST

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 9, 2015