Breakthrough Charter Schools: Village Preparatory School

Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

For the Fiscal Year Ended June 30, 2015
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March 29, 2016

To the Board of Trustees
Breakthrough Charter Schools:
Village Preparatory School
1415 East 36th Street
Cleveland, Ohio 44114

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Breakthrough Charter Schools: Village Preparatory School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2015, 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 entity'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 entity'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 Breakthrough Charter Schools: Village Preparatory School, Cuyahoga County, Ohio as of June 30, 2015, 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.

Emphasis of a Matter

As described in Note 3, the School restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of the School's Proportionate Share of the Net Pension Liability, and the Schedules of School Contributions on pages 4-10, 38-39, and 40-41, respectively, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 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

The management's discussion and analysis of Breakthrough Charter Schools: Village Preparatory School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The School implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. This implementation had the effect of restating net position at June 30, 2014, from $704,277 to $(4,246,518). See pages 6-9 for further discussion of this statement.

- In total, net position increased by $112,432 or 3 percent from a deficit of $4,246,518 to a deficit of $4,134,086.

- The School had operating revenues of $3,608,023 and operating expenses of $4,939,753 for fiscal year 2015. The School also had $1,444,162 in non-operating revenues during fiscal year 2015.

- Enrollment slightly increased from 432 students to 434 students.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents answer the question, "How did we do financially during 2015?"

These statements include all assets, liabilities, deferred outflows/inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received.

These statements report the School's net position and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, 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. These statements can be found on pages 11 and 12 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 13 of this report.

The table below provides a summary of the School's net position for the fiscal years 2015 and 2014:

Table 1 - Net Position

	2015	2014 *
ASSETS		
Current Assets	$ 1,192,754	$ 1,313,173
Security Deposits	-	391
Capital Assets, Net	535	9,113
Total Assets	1,193,289	1,322,677
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	351,949	245,335
LIABILITIES		
Current Liabilities	512,026	618,400
Long-term liabilities:		
Net Pension Liability	4,365,889	5,196,130
Total Liabilities	4,877,915	5,814,530
DEFERRED INFLOWS OF RESOURCES		
Pensions	801,409	-
NET POSITION		
Investment in Capital Assets	535	9,113
Restricted	-	391
Unrestricted	(4,134,621)	(4,256,022)
Total Net Position	$ (4,134,086)	$ (4,246,518)

* Restated

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $704,277 to $(4,246,518).

At June 30, 2015, the School's net position totaled $(4,134,086). The significant deficit in net position can solely be explained by the implementation of GASB 68. Current assets decreased in fiscal year 2015 by $120,419 or 9 percent. The decrease in current assets is primarily due to the decreases in cash and an intergovernmental receivable from the Cleveland Municipal School District coupled with increases in intergovernmental receivables from federal and state grants and other receivables.

Current liabilities decreased in fiscal year 2015 by $106,374 or 17 percent. The decrease in current liabilities is due to the decreases in accounts payable and other accrued expenses, primarily due to the timing of cash disbursements.

The table below shows the change in net position for the fiscal years 2015 and 2014:

Table 2 - Change in Net Position

	2015	2014
OPERATING REVENUES		
State Foundation	$ 3,374,141	$ 3,500,690
Extracurricular Activities	6,216	-
Classroom Materials and Fees	500	476
Other Income	227,166	113,848
Total Operating Revenues	3,608,023	3,615,014
OPERATING EXPENSES		
Salaries and Wages	2,306,280	1,839,291
Fringe Benefits	427,811	467,801
Purchased Services	1,937,513	1,709,145
Materials and Supplies	173,367	265,233
Depreciation	8,578	71,063
Equipment, etc.	21,465	29,617
Other	64,739	43,503
Total Operating Expenses	4,939,753	4,425,653
Operating Loss	(1,331,730)	(810,639)
NON-OPERATING REVENUES (EXPENSES)		
Loss on Sale of Assets	-	(1,003,826)
Tax Distribution	404,861	437,471
Intergovernmental Revenues	1,027,789	652,315
Contributions and Donations	11,512	58,340
Other Income	-	4,657
Total Non-operating Revenues (Expenses)	1,444,162	148,957
Change in Net Position	112,432	(661,682)
Net Position - Beginning of Year, as Restated	(4,246,518)	**N/A**
Net Position - End of Year	$ (4,134,086)	$ (4,246,518)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $245,335 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $174,781. Consequently, in order to compare 2015 program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$ 4,939,753
Pension expense under GASB 68	(174,781)
2015 contractually required contribution	310,227
Adjusted 2015 program expenses	5,075,199
Total 2014 program expenses under GASB 27	4,425,653
Increase in program expenses not related to pension	$ 649,546

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments attributed to 67 percent of total operating and non-operating revenues during fiscal year 2015.

The increases in intergovernmental revenues coupled with the increase in salaries and wages expense and purchased services expense can be attributed to the additional grant funds received in the fiscal year. There was an increase of 2 students in fiscal year 2015 from 432 students to 434 students.

The 2014 net loss on disposal of capital assets was related to the cancellation of the building lease and disposal of associated leasehold improvements.

Capital Assets

At June 30, 2015, the School had $433 invested in furniture, fixtures and equipment, net of accumulated depreciation and $102 invested in building improvements, net of accumulated depreciation. See Note 8 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The School's fiscal agent relationship with Breakthrough Charter Schools, a Charter Management Organization, continues. During the 2014-2015 school year, there were 434 students enrolled in the School. The School relies on the State Foundation Funds, State and Federal Sub-Grants and private donors to provide the monies necessary to operate the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Angela M. Neeley, Treasurer, 10118 Hampden Avenue, Cleveland, Ohio 44108 or email aneeley@breakthroughschools.org.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Statement of Net Position
June 30, 2015

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 812,870
Receivables:	
Intergovernmental - Federal and State Grants	255,434
Pension	12,545
Other	106,374
Prepaid Items	5,531
Total Current Assets	1,192,754
Noncurrent Assets:	
Capital Assets, Net of Depreciation	535
Total Assets	1,193,289
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	351,949
LIABILITIES	
Current Liabilities:	
Accounts Payable	315,980
Accrued Wages and Benefits	196,046
Total Current Liabilities	512,026
Noncurrent Liabilities:	
Net Pension Liability (See Note 11)	4,365,889
Total Liabilities	4,877,915
DEFERRED INFLOWS OF RESOURCES	
Pensions	801,409
NET POSITION	
Investment in Capital Assets	535
Unrestricted	(4,134,621)
Total Net Position	$ (4,134,086)

See accompanying notes to the basic financial statements

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

OPERATING REVENUES	
State Foundation	$ 3,374,141
Extracurricular Activities	6,216
Classroom Materials and Fees	500
Other Operating Revenues	227,166
Total Operating Revenues	3,608,023
OPERATING EXPENSES	
Salaries and Wages	2,306,280
Fringe Benefits	427,811
Purchased Services	1,937,513
Materials and Supplies	173,367
Depreciation	8,578
Equipment, etc.	21,465
Other	64,739
Total Operating Expenses	4,939,753
Operating Loss	(1,331,730)
NON-OPERATING REVENUES	
Tax Distribution	404,861
Intergovernmental	1,027,789
Contributions and Donations	11,512
Total Non-operating Revenues	1,444,162
Change in Net Position	112,432
Net Position - Beginning of Year, as Restated	(4,246,518)
Net Position - End of Year	$ (4,134,086)

See accompanying notes to the basic financial statements

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from State of Ohio	$ 3,374,141
Cash Received from Other Operations	148,554
Cash Payments for Salaries and Wages	(2,306,280)
Cash Payments for Fringe Benefits	(478,293)
Cash Payments for Purchased Services	(2,109,301)
Cash Payments for Materials and Supplies	(173,367)
Cash Payments for Equipment, etc.	(21,465)
Cash Payments for Other Expenses	(66,890)
Net Cash Used in Operating Activities	(1,632,901)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grants	837,610
Tax Distribution	583,140
Contributions and Donations	11,512
Net Cash Provided by Noncapital Financing Activities	1,432,262
Net Decrease in Cash and Cash Equivalents	(200,639)
Cash and Cash Equivalents - Beginning of Year	1,013,509
Cash and Cash Equivalents - End of Year	$ 812,870
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	$ (1,331,730)
Adjustments:	
Depreciation	8,578
(Increase) Decrease in Assets and Deferred Outflows:	
Security Deposits	391
Pension Receivable	(10,144)
Other Receivable	(85,719)
Prepaid Items	(2,151)
Deferred Outflows - Pensions	(106,614)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(171,788)
Accrued Wages and Benefits	95,108
Net Pension Liability	(830,241)
Deferred Inflows - Pensions	801,409
Net Cash Used in Operating Activities	$ (1,632,901)

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE SCHOOL

Breakthrough Charter Schools: Village Preparatory School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's mission is to provide students of kindergarten to grade five the knowledge, skills and habits to be effective and empowered stewards of their community. The school is currently at grades kindergarten, grade one and grade two and plans to add a grade each year to accomplish their mission. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The 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 a contract with the Cleveland Municipal School District (the "Sponsor") for a period of five years commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On July 1, 2014, the contract was extended for a five year period.

The School has contracted with Breakthrough Charter Schools for academic and business services beginning July 1, 2010 for an initial term of five years. This agreement automatically renews unless prior notice is given.

The School operates under the direction of the Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the 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. The Board of Trustees controls the School's one instructional/support facility staffed by 6 non-certified and 47 certificated full-time teaching personnel who provide services to 434 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/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 provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflow.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension. The deferred inflows of resources related to pension are explained in Note 11.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the School are accounted for by the School's fiscal agent, Breakthrough Charter Schools. All cash is received and deposited by the School. Separate accounts are maintained in the School's name. Monies for the School are maintained in these accounts.

For the purposes of the statement of cash flows and the presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School does not have any infrastructure. The School maintains a capitalization threshold at $5,000. 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. All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the remaining useful life of the related capital assets. Building Improvement, furniture, fixtures and equipment are depreciated over five years. Leasehold improvements are depreciated over twenty years.

G. Net Position

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the School, these revenues are payments from the State Foundation Program, extracurricular activities, classroom materials and fees, and other revenues, including reimbursements of salaries and benefits for employee services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the School. All revenues and expenses not meeting this definition are reported as non-operating.

I. Prepaid Items

Payments made to vendors for services that will benefit fiscal years beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year ended in which services are consumed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenue

The School currently participates in the State Foundation Basic Aid, Teacher Incentive Fund (TIF), Title I, Title II-A, IDEA-B, Nutrition, E-Rate, and Race to the Top. The State Foundation Basic Aid (which includes casino revenue) is recognized as operating revenue. All of the other grant revenues received from these programs are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 recognized under the above named programs for the 2015 school year totaled $4,401,930.

K. Estimates

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

L. Compensated Absences

Personal leave benefits (sick, vacation or personal) are earned at a rate of one day per month and cannot be carried over into the subsequent year. No accrual for personal leave is made since unused leave time is not paid to employees upon termination of employment.

M. Contributions and Donations

Non-cash contributions and donations are recorded at their fair market value on the date donated. Contributions and donations recognized for the 2015 school year totaled $11,512.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position as of June 30, 2014	$ 704,277
Adjustments:	
Net Pension Liability	(5,196,130)
Deferred Outflow - Payments Subsequent to Measurement Date	245,335
Restated Net Position June 30, 2014	$ (4,246,518)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 – SPONSORSHIP AND MANAGEMENT AGREEMENTS

On July 1, 2014, the School extended its agreement with the Cleveland Municipal School District for an additional five years commencing. Sponsorship fees are calculated as 1.5% of the fiscal year 2015 foundation payments received by the School, from the State of Ohio. The total amount due from the School for fiscal year 2015 was $52,070, all of which is outstanding as of June 30, 2015 and is recorded as a liability. Sponsorship fees are recorded as professional and technical services within the purchased services expense on the Statement of Revenues, Expenses, and Changes in Net Position.

The School entered into an agreement with Breakthrough Charter Schools to provide academic and business services beginning July 1, 2010 for an initial term of five years. Management fees are calculated as 10% of the fiscal year 2015 Foundation payments received by the School from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2015 was $352,272, of which $30,525 was outstanding as of June 30, 2015 and recorded as a liability. Management fees are recorded as professional and technical services within purchased services on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 5 – DEPOSITS

Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all School's deposits was $812,870. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, $594,538 of the School's bank balance of $844,538 was exposed to custodial risk as discussed below, as it was not covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements, pension receivable and other receivables. Intergovernmental receivables are considered collectible in full due to the current year guarantee of federal funds and the stable condition of state programs. A summary of the principal items of receivables follows:

	Receivables
Intergovernmental - Federal and State Grants:	
Food Service	$ 28,314
Race to the Top	302
Title I	63,538
IDEA B	43,392
TIF	119,888
Total Intergovernmental - Federal and State Grants	255,434
Pension Receivable	12,545
Other Receivable	106,374
Total Receivables	$ 374,353

NOTE 7 – TAX DISTRIBUTION

The Breakthrough network of schools participate in a partnership with the Cleveland Municipal School District (CMSD) for a property tax levy of 1 mill based on the assessed real property value within the CMSD. The levy is for four years and was passed in November 2012 and started collection in January 2013.

Each school receives property taxes, based on a collection rate of 76.1 percent of the revenue generated from the 1 mill, on a pro-rata basis of all community schools participating in the CMSD partnership levy.

NOTE 8 – CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2015, follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital Assets:				
Furniture, Fixtures & Equipment	$ 36,889	$ -	$ -	$ 36,889
Building Improvements	6,147	-	-	6,147
Total Capital Assets	43,036	-	-	43,036
Less Accumulated Depreciation:				
Furniture, Fixtures & Equipment	(29,007)	(7,449)	-	(36,456)
Building Improvements	(4,916)	(1,129)	-	(6,045)
Total Accumulated Depreciation	(33,923)	(8,578)	-	(42,501)
Total Capital Assets, Net	$ 9,113	$ (8,578)	$ -	$ 535

NOTE 9 – RISK MANAGEMENT

A. Insurance Coverage

The School 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.

For the fiscal year ended 2015, the School contracted with the O'Neill Group with the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	3,000,000
Umbrella Coverage per Occurrence	15,000,000
Umbrella Coverage per Aggregate	15,000,000
Commercial Property ($5,000 Deductible)	1,424,500
Crime Coverage ($1,000 Deductible) Each Employee	1,000,000
Computer Coverage ($1,000 Deductible)	100,000
Employee Benefits Liability ($1,000 Deductible) Each Employee	1,000,000
Employee Benefits Liability ($1,000 Deductible) Aggregate	1,000,000
Employers Stop Gap Liability	1,000,000
School Board Legal Liability per Aggregate ($2,500 Deductible)	1,000,000
School Board Legal Liability per Occurrence ($2,500 Deductible)	3,000,000
Sexual Misconduct Liability per Occurrence/Aggregate	1,000,000

NOTE 9 – RISK MANAGEMENT (Continued)

A. Insurance Coverage (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year. The School owns no property, but leases a facility located at 1415 E. 36th St., Cleveland, OH 44114 (See Note 15).

B. Workers' Compensation

The School makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employees Medical, Dental, Vision, Life and Disability Benefits

Effective January 1, 2011, Breakthrough Charter Schools contracted through an independent carrier to provide insurance to all employees who work 30 or more hours per week. Employees have a choice of two medical plans. The School subsidizes more for an employee plan and the least amount for a family plan. The School subsidizes between 52 – 75% of the Point of Service (POS) $250 deductible plan and subsidizes between 65 – 86% for the Health Savings Account (HSA) $2,600 deductible plan. The school subsidizes the cost of dental insurance. Vision insurance and voluntary life is paid by the employee. Long-term disability insurance, short-term disability, and basic life insurance benefits are paid by the School. Total insurance benefits paid by the School for the fiscal year were $180,094.

NOTE 10 – CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The expense 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2015.

B. Litigation

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

NOTE 10 – CONTINGENCIES (Continued)

C. State Foundation Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, Schools must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the academy, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

NOTE 11 – PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued wages and benefits.*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$277,390	$4,088,499	$4,365,889
Proportion of the Net Pension Liability	0.005481%	0.01680887%	
Pension Expense	$16,186	$158,595	$174,781

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$2,361	$39,361	$41,722
School District contributions subsequent to the measurement date	34,867	275,360	310,227
Total Deferred Outflows of Resources	$37,228	$314,721	$351,949
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$45,021	$756,388	$801,409

$310,227 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$10,659	$179,257	$189,916
2017	10,659	179,257	189,916
2018	10,659	179,257	189,916
2019	10,683	179,256	189,939
Total	$42,660	$717,027	$759,687

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$395,754	$277,390	$177,837

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014.

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

NOTE 11 – PENSION PLANS (Continued)

A. Net Pension Liability (Continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$5,853,132	$4,088,499	$2,596,213

B. School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

NOTE 11 – PENSION PLANS (Continued)

B. School Employees Retirement System (SERS) (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 statutory maximum amounts 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 the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $34,867 for fiscal year 2015. Of this amount $2,653 is reported as an accrued wages and benefits.

C. State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

NOTE 11 – PENSION PLANS (Continued)

C. State Teachers Retirement System (STRS) (Continued)

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 11 – PENSION PLANS (Continued)

C. State Teachers Retirement System (STRS) (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $275,360 for fiscal year 2015. Of this amount $20,843 is reported as an accrued wages and benefits.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program.

Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (SERS) (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide 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 fiscal year 2015, the School's surcharge obligation was $2,830.

The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $2,169, $223, and $245, respectively. For fiscal year 2015, 92.39 percent has been contributed, with the balance being reported as an accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System (STRS)

Plan Description – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can 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. Active employee members do not contribute to the Health Care Plan.

All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $15,379, and $14,441 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 – LONG TERM LIABILITIES

The changes in the School's long-term obligations during fiscal year 2015 were as follows:

	Restated Balance as of 6/30/2014	Additions	Deletions	Balance as of 6/30/2015
Net Pension Liability:				
STRS	$ 4,870,193	$ -	$ (781,694)	$4,088,499
SERS	325,937	-	(48,547)	277,390
Total Long-Term Liabilities	$ 5,196,130	$ -	$ (830,241)	$4,365,889

The net pension liability is discussed further in Note 11.

NOTE 14 – PURCHASED SERVICES

For the fiscal year ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	$ 717,016
Property Services	457,234
Travel Mileage/Meeting	14,240
Communications	20,665
Utilities	56,042
Contracted Craft or Trade Service	300,066
Pupil Transportation	372,250
Total	$ 1,937,513

NOTE 15 – OPERATING LEASES

The School entered into a non-cancellable lease agreement effective August 1, 2010 and expires June 30, 2020, with Tylerville, LLC for use of the property located on 1415 E. 36th St., Cleveland, OH. Beginning June 1, 2011, and on the first day of each June thereafter, base rent shall adjust to be equal to the base rent for the immediately preceding twelve month period increased by the percentage increase in the United States Bureau of Labor Statistics' Cleveland-Akron, Ohio Consumer Price Index for All Urban Consumers from the month which is three (3) months prior to the month in which the immediately preceding twelve month period commenced through the month which is three (3) months prior to the month in which the subject calendar year commences. The School is not required to pay base rent during the 1st, 2nd, 83rd and 95th full calendar months of the lease term.

NOTE 15 – OPERATING LEASES (Continued)

In December 2013, the School entered into a cancellation of the lease agreement with Tylerville, LLC. Friends of Breakthrough subsequently entered into a lease agreement with Tylerville, LLC and a sublease agreement with the School. The Sublease agreement expires June 30, 2023 or upon the termination of the business services agreement with Breakthrough Charter Schools.

Rent expenses and related expenses under the lease were $329,559 for the fiscal year ended June 30, 2015.

During the remainder of the lease term, the annual rent expense of $566,253 will be allocated between the Cleveland Entrepreneurship Preparatory and the Village Preparatory – Cliffs. The allocation will be determined before the commencement of the school year and based on the number of students targeted for enrollment for each school as of June 30th of the prior school year.

NOTE 16 – FISCAL AGENT

The Academic and Business Services Agreement states Breakthrough Charter Schools (BCS) shall be responsible and accountable for the following financial functions:

- Provision of a licensed fiscal officer (treasurer);
- Payment of school expenditures with school funds;
- Maintenance of adequate cash balances to cover payroll and payments to vendors; and
- Payroll.

NOTE 17 – FRIENDS OF BREAKTHROUGH DONATIONS

The School is a separate corporation from Friends of Breakthrough Schools, an Ohio not-for profit corporation. Friends of Breakthrough Schools is an agency that was organized to provide funding for the operations of Breakthrough Charter Schools. Funding provided to the School from Friends of Breakthrough Schools amounted to $5,000 for operating expenses.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School's Proportion of the Net Pension Liability	0.005481%	0.005481%
School's Proportionate Share of the Net Pension Liability	$ 277,390	$ 325,937
School's Covered-Employee Payroll	$ 159,257	$ 153,338
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.18%	212.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School's Proportion of the Net Pension Liability	0.01680887%	0.01680887%
School's Proportionate Share of the Net Pension Liability	$ 4,088,499	$ 4,870,193
School's Covered-Employee Payroll	$ 1,717,400	$ 1,444,138
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.06%	337.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 34,867	$ 22,073	$ 21,222	$ 21,958	$ 23,898	$ 13,389
Contributions in Relation to the Contractually Required Contribution	(34,867)	(22,073)	(21,222)	(21,958)	(23,898)	(13,389)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	0	0
School Covered-Employee Payroll	$ 264,545	$ 159,257	$ 153,338	$ 163,257	$ 190,119	$ 98,885
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

(1) Information prior to 2010 is not available due to the School beginning operations in the 2009-2010 school year.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 275,360	$ 223,262	$ 187,738	$ 153,881	$ 111,941	$ 42,264
Contributions in Relation to the Contractually Required Contribution	(275,360)	(223,262)	(187,738)	(153,881)	(111,941)	(42,264)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
School Covered-Employee Payroll	$ 1,966,857	$ 1,717,400	$ 1,444,138	$ 1,183,700	$ 861,085	$ 325,108
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Information prior to 2010 is not available due to the School beginning operations
in the 2009-2010 school year.

March 29, 2016

To the Board of Trustees
Breakthrough Charter Schools:
Village Preparatory School
1415 East 36th Street
Cleveland, Ohio 44114

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 Breakthrough Charter Schools: Village Preparatory School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 29, 2016, wherein we noted the School restated net position to account for the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

March 29, 2016

To the Board of Trustees
Breakthrough Charter Schools:
Village Preparatory School
1415 East 36th Street
Cleveland, Ohio 44114

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133

Report on Compliance for Each Major Federal Program

We have audited Breakthrough Charter Schools: Village Preparatory School's, Cuyahoga County, Ohio (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through the Ohio Department of Education		
Children Nutrition Cluster:		
School Breakfast Program	10.553	$ 76,492
National School Lunch Program	10.555	138,141
Total Nutrition Cluster		214,633
Total U.S. Department of Agriculture		214,633
U.S. Department of Education		
Passed Through the Ohio Department of Education		
Title I	84.010	337,854
Special Education Grants to States	84.027	85,786
Improving Teacher Quality State Grants	84.367	4,538
ARRA - Race-to-the-Top	84.395A	302
Passed through Breakthrough Charter Schools:		
Teacher Incentive Fund	84.374	185,416
Total U.S. Department of Education		613,896
Total Federal Assistance		$ 828,529

The accompanying notes to this schedule are an integral part of this schedule.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the School's federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Teacher Incentive Fund	 CFDA # 84.010 CFDA # 84.374
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO

Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Financial Reporting	Yes	
2014-002	Payroll	Yes	