



Dave Yost • Auditor of State



ZENITH ACADEMY EAST  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Zenith East Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Zenith Academy East, Franklin County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 9, 2012

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

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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, 2011. 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**

The Academy began operations in April 2010. Some transactions occurred in FY 2010 for costs that were incurred starting up the Academy, for leasehold improvements, and for insurance.

Key highlights for 2011 are as follows:

Net assets were \$136,003, an increase of \$142,207 from FY 2010 due primarily to FY 2011 being the Academy's first full year in operation.

The Academy had operating revenues of \$708,147, operating expenses of \$1,087,900 and non-operating revenues, consisting of federal and state grants, of \$521,960.

**Using this Annual Financial Report**

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

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

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

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

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

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

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

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Table 1 below provides a summary of the Academy's net assets for 2011 compared to 2010:

**Table 1  
Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and Other Assets	\$244,003	\$31,796
Capital Assets, Net of Depreciation	<u>120,617</u>	<u>25,000</u>
Total Assets	<u>\$364,620</u>	<u>\$56,796</u>
<b>Liabilities:</b>		
Current Liabilities	<u>\$228,617</u>	<u>\$63,000</u>
Total Liabilities	<u>\$228,617</u>	<u>\$63,000</u>
<b>Net Assets:</b>		
Invested in Capital Assets	\$120,617	\$25,000
Unrestricted	<u>15,386</u>	<u>(31,204)</u>
Total Net Assets	<u>\$136,003</u>	<u>(\$6,204)</u>

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2011, the Academy's net assets increased \$142,207 compared to a net assets deficit of (\$6,204) at June 30, 2010. FY 2011 was the Academy's first full year in operation.

Cash and capital assets represented 72% of total assets. There is no debt related to capital assets. Capital assets are used to provide services to students and cannot be used as future spending.



**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

Table 2 below shows the changes in net assets for fiscal years 2011 and 2010:

**Table 2  
Change in Net Assets**

	<b>2011</b>	<b>2010</b>
Operating Revenues:		
Foundation	\$707,152	-
Miscellaneous	995	-
Total Operating Revenues	708,147	-
Operating Expenses:		
Salaries	654,178	-
Fringe Benefits	102,368	-
Purchased Services	293,956	6,204
Materials and Supplies	32,276	-
Other	5,122	-
Total Operating Expenses	1,087,900	(6,204)
Operating Income (Loss)	(379,753)	(6,204)
Non-Operating Revenues:		
Grants	521,960	-
Total Non-Operating Revenues	521,960	-
Change in Net Assets	142,207	(6,204)
Net Assets at Beginning of Year	(6,204)	0
Net Assets at End of Year	\$136,003	(\$6,204)

Operating foundation revenues and non-operating federal and state grants represent over 79% of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 96% of the total operating expenses.

**Budgeting**

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

ZENITH ACADEMY EAST  
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

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**Capital Asset and Debt Administration**

Capital Assets

At the end of fiscal year 2011, the Academy had \$120,617 invested in leasehold improvements, and furniture and equipment. Table 3 shows fiscal year 2011 balances compared to 2010:

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

	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$95,296	\$25,000
Furniture and Equipment	<u>25,321</u>	<u>0</u>
Totals	<u>\$120,617</u>	<u>\$25,000</u>

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

Debt

The Executive Director loaned \$163,000 to the Academy for start up expenses prior to receiving funding from the Ohio Department of Education. This is recorded as a Loan from Related Party on the face of the financial statements. For more information, see Note 14 to the basic financial statements.

**Contacting the Academy's Financial Management**

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

ZENITH ACADEMY EAST  
FRANKLIN COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2011

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<b>Assets</b>	
<i>Current Assets:</i>	
Cash	\$ 141,687
Intergovernmental Receivable	102,316
	<hr/>
<i>Total Current Assets</i>	244,003
	<hr/>
<i>Noncurrent Assets:</i>	
Capital Assets, Net of Accumulated Depreciation	120,617
	<hr/>
<i>Total Noncurrent Assets</i>	120,617
	<hr/>
Total Assets	\$ 364,620
	<hr/> <hr/>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits	\$ 65,617
Superintendent Loan Payable	163,000
	<hr/>
Total Liabilities	\$ 228,617
	<hr/> <hr/>
<b>Net Assets</b>	
Invested in Capital Assets	\$ 120,617
Unrestricted	15,386
	<hr/>
Total Net Assets	\$ 136,003
	<hr/> <hr/>

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

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Operating Revenues:</b>	
Foundation	\$ 707,152
Miscellaneous	995
Total Operating Revenues	<u>708,147</u>
<b>Operating Expenses:</b>	
Salaries	654,178
Fringe Benefits	102,368
Purchased Services	293,956
Materials and Supplies	32,276
Depreciation	5,122
Total Operating Expenses	<u>1,087,900</u>
Operating Loss	(379,753)
<b>Non-Operating Revenues:</b>	
Grants	<u>521,960</u>
Total Non-Operating Revenues	<u>521,960</u>
Change in Net Assets	142,207
Net Assets Beginning of Year	<u>(6,204)</u>
Net Assets End of Year	<u><u>\$ 136,003</u></u>

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, 2011**

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Foundation	\$ 707,152
Other Cash Receipts	995
Cash Payments to Employees for Services	(588,561)
Cash Payments for Employee Benefits	(102,368)
Cash Payments for Goods and Services	<u>(326,232)</u>
Net Cash Used in Operating Activities	<u>(309,014)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Grants	419,645
Loan from Superintendent	<u>100,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>519,645</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	<u>(100,740)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(100,740)</u>
Net Increase in Cash	109,891
Cash Beginning of Year	<u>31,796</u>
Cash End of Year	<u><u>\$ 141,687</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (379,753)
<b>Adjustments:</b>	
Depreciation	5,122
<b>Increase in Liabilities:</b>	
Accrued Wages and Benefits	<u>65,617</u>
Total Adjustments	<u>70,739</u>
Net Cash Used in Operating Activities	<u><u>\$ (309,014)</u></u>

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

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**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

**A. Basis of Presentation**

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

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

**B. Measurement Focus**

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

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

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

**E. Cash**

Cash received by the Academy is reflected as "Cash" on the Statement of Net Assets. The Academy did not have any investments as of June 30, 2011.

**F. Capital Assets and Depreciation**

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

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

Leasehold Improvements	27 Years
Furniture and Equipment	5 Years

**G. Net Assets**

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



**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**G. Net Assets (Continued)**

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any restricted net assets at June 30, 2011.

**H. Operating Revenues and Expenses**

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

**I. Estimates**

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

**NOTE 3 - DEPOSITS**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balance of the Academy's deposits was \$175,042. 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, 2011, receivables consisted of intergovernmental receivables of \$102,316 from the Ohio Department of Education for grants and entitlements.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Capital Assets:</b>				
Leasehold Improvements	\$25,000	\$73,018	\$0	\$98,018
Furniture and Equipment	0	27,721	0	27,721
Total Capital Assets	<u>25,000</u>	<u>100,739</u>	<u>0</u>	<u>125,739</u>
<b>Less Depreciation:</b>				
Leasehold Improvements	0	(2,722)	0	(2,722)
Furniture and Equipment	0	(2,400)	0	(2,400)
Total Depreciation	<u>0</u>	<u>(5,122)</u>	<u>0</u>	<u>(5,122)</u>
Capital Assets, Net of Depreciation	<u>\$25,000</u>	<u>\$95,617</u>	<u>\$0</u>	<u>\$120,617</u>

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(Continued)

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**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 2011, the Academy contracted with Erie Insurance for property and general liability insurance with a \$1,000,000 single occurrence limit, \$2,000,000 annual aggregate, and \$1,000 deductible.

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

**NOTE 7 - EMPLOYEE BENEFITS**

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Medical Mutual and Ameritas 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate for the Academy is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 9.16 percent of annual covered salary was used to fund pension obligations. 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. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2011 was \$28,782. 97 percent has been contributed for fiscal year 2011.

**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple employer public employee retirement system. STRS Ohio provides a retirement and 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.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on 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 their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 member's account balance.

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by State Teachers Retirement Board upon recommendations of the consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations STRS Ohio for the fiscal year ended June 30, 2011 was \$58,375. 88 percent has been contributed for fiscal year 2011

**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, 2011, all members of the Board of Directors have elected Social Security. Board members contributed 6.2 percent of their wages, and the Academy also 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 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.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2011, 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.

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, 2011 was \$1,197. 97 percent has been contributed for fiscal year 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2011, was \$215. 97 percent has been contributed for fiscal year 2011.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2011 was \$584. 88 percent has been contributed for fiscal year 2011

**NOTE 10 - BUILDING LEASE**

The Academy leases its facilities from A Academy Child under a five year agreement entered into on October 15, 2010. The total amount paid during 2011 was \$110,775.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 10 - BUILDING LEASE (Continued)**

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

Fiscal Year Ending June 30:	
2012	147,696
2013	150,648
2014	153,660
2015	153,660
Total Minimum Lease Payments	<u><u>\$605,664</u></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, 2010 through June 30, 2011 purchased service expenses were as follows:

Professional and Technical Services	\$48,376
Sponsor Fees	21,215
Rent and Property Services	163,718
Legal, Accounting, Professional	7,111
Catering	53,536
Total	<u><u>\$293,956</u></u>

**NOTE 13 - SPONSOR CONTRACT**

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

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

As part of the agreement, the Academy agreed to compensate the Sponsor three percent of all funds received by the Academy from funding provided by ODE, including state start-up grants, for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. Total contract payments of \$21,215 were paid related to the provision of this contract as of June 30, 2011.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 14 - RELATED PARTY LOAN**

Prior to receiving funding from the Ohio Department of Education, the Academy's Executive Director personally loaned the Academy \$63,000 to cover general expenses as of June 30, 2010. The Academy borrowed an additional \$100,000 during 2011. There is no specific repayment schedule and no requirement to pay interest on the proceeds. The unpaid principal shall be payable in full on any future date on which the lender demands payment. The Academy has not repaid the Executive Director as of June 30, 2011 and the entire balance of \$163,000 is reflected as a liability in the Statement of Net Assets.

**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, 2011.

**B. Full Time Equivalency**

ODE conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for the year ended June 30, 2011 resulted in an underpayment of \$5,703.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

We have audited the basic financial statements of Zenith Academy East, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

Zenith Academy East  
Franklin County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We noted a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 9, 2012.

We intend this report solely for the information and use of management, Board of Directors, and the Academy's Sponsor. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 9, 2012





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Zenith Academy has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The Board adopted the policy on April 25, 2011. We read the policy, noting it does not include the following requirements listed in Ohio Rev. Code 3313.666.

- (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as amended by House Bill 19 of the 128<sup>th</sup> General Assembly;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 9, 2012



# Dave Yost • Auditor of State

ZENITH ACADEMY EAST

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 3, 2012