Northpointe Academy
Lucas County

Financial Report

June 30, 2012

Dave Yost · Auditor of State

Board of Directors
Northpointe Academy
3248 Warsaw Street
Toledo, Ohio 43608

We have reviewed the *Independent Auditor's Report* of the Northpointe Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

February 28, 2013

This page intentionally left blank.

Northpointe Academy

Contents

This page intentionally left blank.

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Northpointe Academy

We have audited the accompanying basic financial statements of Northpointe Academy (the "Academy") as of and for the year ended June 30, 2012 as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic 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 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2012 and the 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified in the table of contents, 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, which 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 supplemental 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.

To the Board of Directors
Northpointe Academy

In accordance with *Government Auditing Standards,* we have also issued our report under separate cover dated December 12, 2012 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 12, 2012

The discussion and analysis of Northpointe Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- In total, net assets increased $158,833, which represents a 204 percent increase from 2011. This increase was due primarily to higher enrollment and the increased revenue associated with it.
- Total assets decreased $67,777, which represents a 16 percent decrease from 2011. This was primarily due to lower cash balances.
- Liabilities decreased $226,610, which represents a 46 percent decrease from 2011. This decrease was due primarily to a significant decrease in contracts payable.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to the financial statements. The basic financial statements include a statement of net assets, a statement of revenue, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during 2012?" This statement includes all assets and liabilities, both financial and capital and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenue and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets (deficit) for fiscal years 2012 and 2011:

Table 1

	Governmental Activities	
	June 30	
	2012	2011
Assets		
Current assets	$ 279,812	$ 358,896
Capital assets - Net	69,228	57,921
Total assets	349,040	416,817
Liabilities - Current liabilities	267,947	494,557
Net Assets (Deficit)		
Invested in capital assets	69,228	57,921
Unrestricted	11,865	(135,661)
Total net assets (deficit)	**$ 81,093**	**$ (77,740)**

Total assets decreased $67,777. This was primarily due to a decrease in the cash balance. Capital assets, net of depreciation, increased by $11,307 from 2011 to 2012 primarily due to the purchase of furniture, fixtures, and equipment. Total liabilities decreased $226,610 due, again, to a significant decrease in contracts payable.

Table 2 shows the changes in net assets for fiscal years 2011 and 2012, as well as a listing of revenue and expenses.

Table 2	Governmental Activities	
	Year Ended June 30	
	2012	2011
Operating Revenue		
Foundation payments	$ 1,776,823	$ 1,687,212
Poverty-based assistance	419,968	290,702
Federal grants - Unrestricted	117,099	163,750
Other	6,281	1,119
Nonoperating Revenue		
Federal grants	551,549	566,687
State grants	73,232	5,574
Total revenue	2,944,952	2,715,044
Operating Expenses		
Salaries	1,087,612	994,140
Fringe benefits	408,932	345,677
Purchased services	1,097,962	1,086,681
Materials and supplies	112,186	151,335
Depreciation (unallocated)	25,445	5,912
Other expenses	37,830	7,084
Nonoperating Expenses		
Interest	-	6,390
Loss on disposal of fixed assets	16,152	4,925
Total expenses	2,786,119	2,602,144
Change in Net Assets	**$ 158,833**	**$ 112,900**

Net assets increased by $158,833. There was an increase in revenue of $229,908 and an increase in expenses of $183,975 from 2011. Of the increase in revenue, the foundation payments increased by $89,611 and federal grant revenue decreased by $61,789. Community schools receive no support from tax revenue.

The expense for salaries increased by $93,472 and the expense for fringe benefits increased by $63,255 from 2011; this was primarily due to added staff and increased benefits cost. The expense for purchased services increased by $11,281 from 2011 and depreciation expense increased by $19,533.

Capital Assets

At the end of fiscal year 2012, the Academy had $69,228 invested in furniture, fixtures, and equipment and buildings and improvements (net of depreciation), which represented an increase of $11,307 from 2011. Table 3 shows capital assets (net of depreciation) for fiscal years 2012 and 2011:

Table 3	2012	2011
Furniture, fixtures, and equipment	$ 61,027	$ 55,572
Leasehold improvements	8,201	2,349
Total capital assets	**$ 69,228**	**$ 57,921**

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

Current Financial Issues and Economic Factors

Great Lakes Environmental Academy was formed in 2007 under a contract with the Ohio Council of Community Schools. Effective June 9, 2010, the Academy changed its name to Northpointe Academy. During the 2011-2012 school year, there were 292 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2012 totaled $2,196,791.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 75 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, fiscal officer of Northpointe Academy, at 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or by email at don.ash@leonagroup.com.

Statement of Net Assets
June 30, 2012

Assets	
Current assets:	
Cash (Note 3)	$ 180,183
Accounts receivable	719
Intergovernmental receivables (Note 4)	87,813
Prepaid expenses	11,097
Total current assets	279,812
Noncurrent assets - Depreciable capital assets - Net (Note 5)	69,228
Total assets	349,040
Liabilities - Current	
Accounts payable	80,439
Contracts payable (Note 12)	187,508
Total current liabilities	267,947
Net Assets	
Invested in capital assets	69,228
Unrestricted	11,865
Total net assets	**$ 81,093**

Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)
Year Ended June 30, 2012

Operating Revenue	
Foundation payments	$ 1,776,823
Poverty-based assistance	419,968
Federal grants - Unrestricted	117,099
Other revenue	6,281
Total operating revenue	2,320,171
Operating Expenses	
Salaries	1,087,612
Fringe benefits	408,932
Purchased services (Note 10)	1,097,962
Materials and supplies	112,186
Depreciation (Note 5)	25,445
Other	37,830
Total operating expenses	2,769,967
Operating Loss	(449,796)
Nonoperating Revenue (Expense)	
Federal grants	551,549
State grants	73,232
Loss on disposal of fixed assets	(16,152)
Total nonoperating revenue - Net	608,629
Change in Net Assets	158,833
Net Deficit - Beginning of year	(77,740)
Net Assets - End of year	**$ 81,093**

Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Received from foundation payments	$ 1,776,823
Received from poverty-based assistance	419,968
Received from federal grants - Unrestricted	108,454
Received from other operating revenue	6,281
Payments to suppliers for goods and services	(1,468,840)
Payments to employees for services	(1,087,612)
Payments for employee benefits	(408,932)
Net cash used in operating activities	(653,858)
Cash Flows from Noncapital Financing Activities	
Federal grants received	619,019
State grants received	73,232
Net cash provided by noncapital financing activities	692,251
Cash Flows from Capital and Related Financing Activities -	
Payments for capital acquisitions	(52,904)
Net Decrease in Cash	(14,511)
Cash - Beginning of year	194,694
Cash - End of year	**$ 180,183**

The Notes to Financial Statements are an
Integral Part of this Statement.

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (449,796)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	25,445
Changes in assets and liabilities:	
Increase in intergovernmental receivables	(8,645)
Increase in other receivables	(719)
Decrease in prepaids and deposits	6,467
Increase in accounts payable	21,616
Decrease in contracts payable	(248,226)
Total adjustments	(204,062)
Net cash used in operating activities	**$ (653,858)**

Note 1 - Description of the School and Reporting Entity

Northpointe Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, 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 other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On March 14, 2007, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2012. The contract has subsequently been renewed through June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2012 totaled $67,972.

The Academy operates under the direction of a five-member board of directors, which is also the governing board for another The Leona Group, LLC-managed school. The board of directors 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 directors controls the Academy's instructional/support facility staffed by 12 certified full-time teaching personnel who provide services to 292 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 12).

Note 2 - Summary of Significant Accounting Policies

The financial statements of Northpointe Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 also elected to follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets (deficit), and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets (deficit), financial position, and cash flows.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

Expenses are recognized at the time they are incurred.

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 Chapter 5705 unless specifically provided in the contract between the Academy and the Sponsor. The contract between the Academy and the Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

Intergovernmental Receivables - Receivables at June 30, 2012 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid expenses 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 year in which the services are consumed.

Capital Assets - 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 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are charged to expense when incurred.

Note 2 - Summary of Significant Accounting Policies (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the lesser of their useful life or the term of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, fixtures, and equipment	3-7 years
Leasehold improvements	6 years

Net Assets - Net assets represent the difference between assets and liabilities. Invested 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. The Academy has no debt related to capital assets.

Operating Revenue and Expenses - Operating revenue is revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily foundation payments and education jobs funds received in lieu of foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as nonoperating.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program and the state poverty-based assistance (PBA) program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Tax Status - The Academy is exempt from taxes under §501(c)(3) of the Internal Revenue Code.

Note 3 - Deposits

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it may be impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the Academy's deposit balance of $193,184 had no bank deposits (checking account) that were uninsured or uncollateralized.

Note 4 - Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables is as follows:

Title I	$	46,830
Title II A		646
NSLP		25,105
Race to the Top		3,200
Edu Jobs		8,645
Title II D		1,480
Medicaid		1,907
Total intergovernmental receivables	$	87,813

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Business-type Activity				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	$ 60,611	$ 39,067	$ (18,413)	$ 81,265
Leasehold improvements	3,222	13,837	-	17,059
Total capital assets being depreciated	63,833	52,904	(18,413)	98,324
Less accumulated depreciation:				
Furniture, fixtures, and equipment	5,039	17,460	(2,261)	20,238
Leasehold improvements	873	7,985	-	8,858
Total accumulated depreciation	5,912	25,445	(2,261)	29,096
Total capital assets being depreciated - Net	$ 57,921	$ 27,459	$ (16,152)	$ 69,228

Note 6 - Risk Management

Property and Liability - 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 2012, the Academy contracted with Willis North America, Inc. for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Coverages are as follows:

Educational errors and omissions:	
Per occurrence	$ 1,000,000
Total per year	1,000,000
General liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

Note 6 - Risk Management (Continued)

Workers' Compensation - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Note 7 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplemental information. That report can be obtained on SERS's website at www.ohsers.org under Employers/Audit Resources.

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 Academy rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's retirement board. The retirement board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were $34,877, $30,597, and $7,788, respectively; 99 percent has been contributed for fiscal year 2012, 73 percent has been contributed for fiscal year 2011, and 100 percent has been contributed for fiscal year 2010.

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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Note 7 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans: a defined benefit plan (DBP), a defined contribution plan (DCP), and a combined plan (CP). The DBP offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. The CP offers features of both the DCP and the DBP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP 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 DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2012, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were $95,438, $77,288, and $23,657, respectively; 98 percent has been contributed for fiscal year 2012, 75 percent has been contributed for fiscal years 2011, and 100 percent has been contributed for fiscal year 2010. Contributions to the DCP and CP for fiscal year 2012 were $102,779 made by the Academy and $68,170 made by the plan members.

Note 8 - Postemployment Benefits

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 classified retirees and their beneficiaries, the healthcare plan and a Medicare Part B plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by state statute. The financial reports of SERS's Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS's website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the healthcare 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 401(h). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For the 2012 fiscal year, the surcharge was $3,606.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a healthcare 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 years ended June 30, 2012, 2011, and 2010 were $1,510, $1,101, and $280, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were $2,060, $1,820, and $463, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

Note 8 - Postemployment Benefits (Continued)

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 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 healthcare 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 fiscal year 2012, 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 years ended June 30, 2012, 2011, and 2010 were $7,341, $5,945, and $1,820, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

Note 9 - Contingencies

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 is 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, 2012.

Note 10 - Purchased Service Expenses

For the year ended June 30, 2012, purchased service expenses were payments for services rendered by various vendors as follows:

Repairs and maintenance	$ 13,785
Legal	4,849
Insurance	15,877
Advertising	4,697
Ohio Council of Community Schools	67,972
The Leona Group, LLC (Note 12)	338,588
Cleaning services	23,566
Other rentals and leases	4,680
Utility	42,961
Dues and fees	17,618
Other professional services	443,369
Building lease agreements	120,000
Total purchased services	$ 1,097,962

Note 11 - Operating Leases

On July 1, 2011, the Academy assumed the lease agreement of Paul Laurence Dunbar Academy. The lease period is from July 1, 2011 through July 6, 2013, with renewal options, for use of the main building, gymnasium, and grounds as a school facility.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2012:

Fiscal Year Ending June 30	Amount
2013	$ 120,000
Total minimum lease payments	$ 120,000

Note 12 - Management Agreement

The Academy entered into a contract, effective July 1, 2008 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. The contract has subsequently been renewed through June 30, 2013. In exchange for its services, TLG receives a capitation fee of 12 percent of revenue. The Academy incurred a management fee totaling $338,588 for the year ended June 30, 2012. At June 30, 2012, contracts payable includes approximately $181,000 for reimbursement of subcontracted employees and other operating costs and approximately $6,000 for management fees. Terms of the contracts require TLG to provide the following:

- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other function necessary or expedient for the administration of the Academy

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

Note 12 - Management Agreement (Continued)

For the year ended June 30, 2012, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:	
Salaries	$ 1,087,612
Fringe benefits	408,932
Professional and technical services	365,474
Other direct costs	16,808
Total expenses	$ 1,878,826

Note 13 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Academy's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Academy as of June 30, 2014.

This page intentionally left blank.

Northpointe Academy

Federal Awards
Supplemental Information
June 30, 2012

Contents

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Northpointe Academy

We have audited the basic financial statements of Northpointe Academy (the "Academy") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 2012, which contained an unqualified opinion on those financial statements. Those basic financial statements are the responsibility of the management of Northpointe Academy. Our responsibility is to express an opinion on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited financial statements subsequent to December 12, 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Northpointe Academy taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 12, 2012

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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*

Independent Auditor's Report

To the Board of Directors
Northpointe Academy

We have audited the financial statements of Northpointe Academy (the "Academy") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Northpointe Academy is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered Northpointe Academy's internal control over financial reporting as a basis for designing our auditing procedures 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 Academy's internal control over financial reporting. Accordingly, we do not express an opinion 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, 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 Academy's financial statements will not be prevented or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

To the Board of Directors
Northpointe Academy

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 12, 2012

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Directors
Northpointe Academy

Compliance

We have audited the compliance of Northpointe Academy (the "Academy") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of Northpointe Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northpointe Academy's management. Our responsibility is to express an opinion on Northpointe Academy's compliance based on our audit.

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 Northpointe Academy'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. Our audit does not provide a legal determination on Northpointe Academy's compliance with those requirements.

In our opinion, Northpointe Academy complied, in all material respects, with the 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, 2012.

To the Board of Directors
Northpointe Academy

Internal Control Over Compliance

The management of Northpointe Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northpointe Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Academy'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 a 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 12, 2012

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2011	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Ohio Department of Education:						
National School Breakfast Program	10.553	$ 63,916	$ 6,336	$ 61,919	$ 63,916	$ 8,333
National School Lunch Program	10.555	134,068	16,264	133,561	134,068	16,771
Total Child Nutrition Cluster		197,984	22,600	195,480	197,984	25,104
Special Education Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - Special Education - Grants to States (IDEA, Part B) - IDEA, Part B - 2011-2012	84.027	59,544	-	59,393	59,393	-
Title I, Part A Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - Title I, Part A:	84.010					
2010-2011		291,654	60,416	76,210	15,794	-
2011-2012		277,622	-	219,783	266,613	46,830
Total Title I, Part A Cluster		569,276	60,416	295,993	282,407	46,830
Education Technology State Grants Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - Education Technology State Grants (Enhancing Education through Technology Program) - 2011-2012	84.318	1,795	-	-	1,480	1,480
Total clusters		828,599	83,016	550,866	541,264	73,414

See Note to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2011	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
Other federal awards - U.S. Department of Education -						
Passed through the Ohio Department of Education:						
Improving Teacher Quality:	84.367					
2010-2011		$ 10,770	$ 2,206	$ 2,206	$ -	$ -
2011-2012		3,903	-	431	1,077	646
ARRA - Race-to-the-Top Incentive Grants - Recovery Act:	84.395					
2010-2011		26,380	625	722	97	-
2011-2012		26,380	-	5,911	9,111	3,200
Education Jobs Fund	84.410	117,099	-	108,454	117,099	8,645
Total noncluster programs passed through the Ohio Department of Education		184,532	2,831	117,724	127,384	12,491
Total federal awards		**$ 1,013,131**	**$ 85,847**	**$ 668,590**	**$ 668,648**	**$ 85,905**

See Note to Schedule of Expenditures of Federal Awards.

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northpointe Academy under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Northpointe Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Northpointe Academy. Pass-through entity identifying numbers are presented where available.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ Yes	X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______ Yes	X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee?	______ Yes	X No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Prior Year Finding Number	Federal Program	Original Finding Description	Status
2011-01	CFDA #84.010 - Title I, CFDA #84.389 - ARRA - Title I Grants to Educational Agencies	The Academy hired two individuals who were not considered highly qualified and those individuals were charged to the Title I progam. During the year, the Academy discovered that they were not highly qualified and the employees resigned; however, they were charged to the Title I grant during the school year.	Only highly qualified individuals are now being hired and paid with Title I funds. This finding has been fully corrected.

Dave Yost • Auditor of State

NORTHPOINTE ACADEMY

LUCAS 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
MARCH 12, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov