



Dave Yost • Auditor of State

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Premier Academy of Ohio
Franklin County
4300 Kimberly Parkway, 3rd Floor
Columbus, Ohio 43232

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Premier Academy of Ohio, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Premier Academy of Ohio, Franklin County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a *going concern*. As discussed in Note 18 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern. Note 18 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2014

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Premier Academy of Ohio (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2013.

The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position was a deficit of \$436,204 at June 30, 2013.
- The Academy had operating revenues of \$813,096, operating expenses of \$1,398,918 and non-operating revenues of \$367,632 and non-operating expenses of \$7,161 for fiscal year 2013. The operating loss was \$585,822. The decrease in net position was \$225,351.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, how did we do financially during 2013? The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The table below shows the changes in net position for fiscal years 2013 and 2012.

Assets, Liabilities and Net Position

| | <u>2013</u> | <u>2012</u> |
|------------------------------|---------------------|---------------------|
| <u>Assets</u> | | |
| Current assets | \$ 14,817 | \$ 59,258 |
| Capital assets, net | <u>62,375</u> | <u>88,553</u> |
| Total assets | <u>77,192</u> | <u>147,811</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 480,825 | 303,839 |
| Long term liabilities | <u>32,571</u> | <u>54,825</u> |
| Total liabilities | <u>513,396</u> | <u>358,664</u> |
| <u>Net Position</u> | | |
| Investment in capital assets | 7,550 | 13,179 |
| Restricted | 41,867 | 35,879 |
| Unrestricted (deficit) | <u>(485,621)</u> | <u>(259,911)</u> |
| Total net position (deficit) | <u>\$ (436,204)</u> | <u>\$ (210,853)</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the Academy's net position was a deficit of \$436,204. Due to the Academy's low cash balances, currently liabilities increased by \$176,986 or 58% to account for goods and services received but not yet paid.

At June 30, 2013, capital assets represented 80.81% of total assets. Investment in capital assets at June 30, 2013, was \$7,550. These capital assets are used to provide services to the students and are not available for future spending. Capital assets decreased in fiscal year 2013 by \$26,178 or 29.5% due to depreciation expenses. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The table below shows the changes in net position for fiscal years 2013 and 2012.

Change in Net Position

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 812,809 | \$ 1,281,432 |
| Other | 287 | 3,470 |
| Total operating revenue | <u>813,096</u> | <u>1,284,902</u> |
| <u>Operating Expenses:</u> | | |
| Salaries and wages | 555,400 | 791,963 |
| Fringe benefits | 191,904 | 242,759 |
| Purchased services | 389,211 | 311,418 |
| Materials and supplies | 195,390 | 189,700 |
| Depreciation | 26,178 | 28,043 |
| Other | <u>40,835</u> | <u>48,145</u> |
| Total operating expenses | <u>1,398,918</u> | <u>1,612,028</u> |
| <u>Non-operating Revenues and Expenses:</u> | | |
| Federal and State grants | 367,632 | 355,132 |
| Interest expense | (7,161) | (8,603) |
| Loss on disposal of capital assets | <u>-</u> | <u>(7,373)</u> |
| Total non-operating revenues and expenses | <u>360,471</u> | <u>339,156</u> |
| Change in net assets | (225,351) | 12,030 |
| Net position (deficit) at beginning of year | <u>(210,853)</u> | <u>(222,883)</u> |
| Net position (deficit) at end of year | <u>\$ (436,204)</u> | <u>\$ (210,853)</u> |

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. During fiscal year 2013, there was a decrease in student enrollment from fiscal year 2012 which led to a decrease in State foundation revenue and operating expenses. However, the Academy received slightly more Federal grant monies through the various grants which resulted in an increase in Federal and State grant revenue during fiscal year 2013.

Capital Assets

At June 30, 2013, the Academy had \$62,375 invested in furniture and equipment. See Note 5 to the basic financial statements for more detail on capital assets.

Debt Administration

The Academy has entered into debt obligations for capital leases for copier equipment, a line of credit with Huntington Bank and promissory note agreements. At June 30, 2013, the Academy had \$54,825 in capital leases outstanding, \$50,000 in line of credit outstanding and \$56,830 in promissory notes outstanding. Of this total \$22,254 is due within one year and \$32,571 is due in greater than one year.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Financial Related Activities

The Academy is sponsored by the Educational Resource Consultants of Ohio. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

The Academy relies primarily on State foundation revenues, which are based on student enrollment. There was a decrease of approximately 70 students from fiscal year 2012 to 2013. The Academy is attempting to increase its future State foundation revenues by marketing their Academy to 160 students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients 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 questions about this report or need additional financial information contact Teresa Woods, Treasurer, Gateway Academy of Ohio, 4300 Kimberly Parkway, 3rd Floor, Columbus, Ohio 43232.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:

Current assets:

| | | |
|--|----|---------------|
| Cash | \$ | 6,227 |
| Intergovernmental receivable | | 8,590 |
| Total current assets | | 14,817 |

Non-current assets:

| | | |
|--|--|---------------|
| Capital assets, net. | | 62,375 |
| Total non-current assets. | | 62,375 |
| Total assets. | | 77,192 |

Liabilities:

Current liabilities:

| | | |
|--|--|----------------|
| Accounts payable. | | 265,748 |
| Accrued wages and benefits | | 46,969 |
| Pension obligation payable. | | 18,099 |
| Intergovernmental payable | | 20,925 |
| Note payable. | | 56,830 |
| Line of credit payable | | 50,000 |
| Capital leases payable | | 22,254 |
| Total current liabilities | | 480,825 |

Non-current liabilities:

| | | |
|--|--|----------------|
| Capital lease payable. | | 32,571 |
| Total non-current liabilities | | 32,571 |
| Total liabilities | | 513,396 |

Net position:

| | | |
|---|-----------|------------------|
| Investment in capital assets. | | 7,550 |
| Restricted for: | | |
| Locally funded programs | | 200 |
| Federal programs | | 41,667 |
| Unrestricted (deficit). | | (485,621) |
| Total net position (deficit) | \$ | (436,204) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | |
|--|---------------------|
| Operating revenues: | |
| State foundation. | \$ 812,809 |
| Other | 287 |
| Total operating revenues | <u>813,096</u> |
| Operating expenses: | |
| Salaries and wages. | 555,400 |
| Fringe benefits. | 191,904 |
| Purchased services. | 389,211 |
| Materials and supplies | 195,390 |
| Depreciation | 26,178 |
| Other. | 40,835 |
| Total operating expenses. | <u>1,398,918</u> |
| Operating loss. | <u>(585,822)</u> |
| Non-operating revenues (expenses): | |
| Federal and State grants. | 367,632 |
| Interest expense. | (7,161) |
| Total nonoperating revenues (expenses) | <u>360,471</u> |
| Change in net position. | (225,351) |
| Net position (deficit) at beginning of year | <u>(210,853)</u> |
| Net position (deficit) at end of year | <u>\$ (436,204)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | |
|--|-----------------|
| Cash flows from operating activities: | |
| Cash received from State foundation | \$ 818,315 |
| Cash received from other operations | 287 |
| Cash payments for salaries and benefits | (748,921) |
| Cash payments for suppliers for goods and services | (270,167) |
| Cash payments for materials and supplies | (115,964) |
| Cash payments for other expenses. | (45,835) |
| | <hr/> |
| Net cash used for operating activities. | (362,285) |
| Cash flows from noncapital financing activities: | |
| Federal and State grants | 393,130 |
| Interest payments on line of credit. | (1,874) |
| | <hr/> |
| Net cash provided by noncapital financing activities. | 391,256 |
| Cash flows from capital and related financing activities: | |
| Principal payment on capital lease | (20,549) |
| Interest payment on capital lease | (5,287) |
| | <hr/> |
| Net cash used in capital and related financing activities. | (25,836) |
| Net increase in cash and cash equivalents. | 3,135 |
| Cash at beginning of year | 3,092 |
| Cash at end of year | \$ 6,227 |
| | <hr/> <hr/> |
| Reconciliation of operating loss to net cash used for operating activities: | |
| Operating loss | \$ (585,822) |
| Adjustments: | |
| Depreciation | 26,178 |
| Changes in assets and liabilities: | |
| Decrease in intergovernmental receivable. | 19,382 |
| Decrease in prepayments. | 2,696 |
| (Decrease) in accounts payable. | 224,969 |
| (Decrease) in accrued wages and benefits | (23,619) |
| (Decrease) in promissory note payable | (2,999) |
| (Decrease) in pension obligation payable | (1,626) |
| (Decrease) in intergovernmental payable | (21,444) |
| | <hr/> |
| Net cash used for operating activities. | \$ (362,285) |
| | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Premier Academy of Ohio (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 Academy specializes in providing a custom-made curriculum for each student to ensure academic success. The Academy utilizes sophisticated technology and small classroom sizes to guarantee individual attention to expose students in grades 7 through 12 to real world experience. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

During fiscal year 2013, the Academy was under a sponsorship contract with Educational Resource Consultants of Ohio, Inc. (the "Sponsor"). The Academy was approved under contract with the Sponsor for a renewal period of one year commencing July 1, 2012 through June 30, 2013. On June 5, 2013 the sponsorship contract was renewed for three years commencing July 1, 2013 through June 30, 2015. 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 is located in Columbus, Ohio, Franklin County. The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board 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 qualification of teachers who provide services to 120 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances its cash flow needs.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

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 nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, is 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 specific 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 budgetary provisions set forth in Ohio Revised Code Section 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. This five year forecast is submitted to ODE and the Sponsor twice a year (May and October).

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Improvements are capitalized. 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. The Academy does not capitalize interest.

All capital assets are depreciated. The Academy's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Equipment is depreciated over a period of five to fifteen years.

F. Net Position

Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation and capital lease obligations. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

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

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the 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.

H. Estimates

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

I. Economic Dependency

The Academy received nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

J. Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net position, using the allocation method, which amortized their cost over the periods benefiting from the advance payment. The Academy had no prepayments at June 30, 2013.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk 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, 2013, the carrying amount of the Academy's deposits was a balance of \$6,227 and the bank balance was \$12,499. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance <u>June 30, 2012</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>June 30, 2013</u> |
|--------------------------------|---------------------------------|--------------------|------------------|---------------------------------|
| Depreciable capital assets: | | | | |
| Furniture and equipment | \$ 153,528 | \$ - | \$ - | \$ 153,528 |
| Less: accumulated depreciation | <u>(64,975)</u> | <u>(26,178)</u> | <u>-</u> | <u>(91,153)</u> |
| Capital assets, net | <u>\$ 88,553</u> | <u>\$ (26,178)</u> | <u>\$ -</u> | <u>\$ 62,375</u> |

NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the Academy entered into capital lease agreements for copier equipment. These leases meet the criteria of a capital lease as one which transfers benefits and risks of ownership to the lessee at the conclusion of the least term.

Copier equipment has been capitalized in the amount of \$105,904. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 was \$56,482 leaving a current book value of \$49,422.

Principal and interest payments in the 2013 fiscal year totaled \$20,549 and \$5,287, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

| <u>Year Ending June 30</u> | <u>Copiers</u> |
|---|------------------|
| 2014 | \$ 25,836 |
| 2015 | 25,836 |
| 2016 | <u>8,612</u> |
| Total minimum lease payment | 60,284 |
| Less: amount representing interest | <u>(5,459)</u> |
| Present value of minimum lease payments | <u>\$ 54,825</u> |

Of the remaining capital lease obligation, \$22,254 in capital lease principal payments is due in one year.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 7 - LINE OF CREDIT

During fiscal year 2011, the Academy borrowed \$45,000 through a line of credit from Huntington Bank. During fiscal year 2012 the Academy borrowed an additional \$12,864 and repaid \$7,864 at an interest rate of 3.500%. Receivables and inventory are pledged to pay any outstanding balances. The following activity occurred on the line of credit during the fiscal year 2013:

| | <u>Balance</u> <u>June 30, 2012</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2013</u> |
|----------------|--|------------------|------------------|--|
| Line of credit | \$ <u>50,000</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>50,000</u> |

During fiscal year 2013, the Academy incurred \$1,874 in interest charges related to the line of credit.

NOTE 8 - NOTE PAYABLE

During fiscal year 2009, the Academy entered into a promissory note payable with Eastman & Smith, Ltd. To pay for legal services incurred prior to June 30, 2009. Payments are in amounts determined between the parties. There is no interest due unless complete default. The following note payable activity occurred during the fiscal year 2013:

| | <u>Balance</u> <u>June 30, 2012</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2013</u> |
|-----------------|--|------------------|-------------------|--|
| Promissory note | \$ <u>59,829</u> | \$ <u>-</u> | \$ <u>(2,999)</u> | \$ <u>56,830</u> |

NOTE 9 - OPERATING LEASE

The Academy school facilities are located in a space leased at 1555 Elaine Road, Columbus, Ohio. The lease agreement is with St. Phillip Church for the period of August 1, 2012 through June 30, 2013. The base rental of the lease is \$5,000 per month. Payments totaling \$64,000 were made during fiscal year 2013.

The following minimum lease payments will be made for the fiscal year ending June 30:

| | |
|------|------------------|
| 2014 | \$ <u>75,540</u> |
|------|------------------|

NOTE 10 - RECEIVABLES

At June 30, 2013, receivables consisted of intergovernmental receivables of \$8,590 in State and federal grants and reimbursements. The receivables are expected to be collected in full within one year.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, 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. 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$26,802, \$41,567 and \$42,446, respectively; 81.34 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$48,576, \$63,686 and \$75,403, respectively; 90.56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by 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 St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$5,194, \$9,258 and \$14,577, respectively; 81.34 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,514, \$2,455 and \$2,732, respectively; 81.34 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$3,737, \$4,899 and \$5,800, respectively; 90.56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 13 - RISK MANAGEMENT

A. 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 the fiscal year ended June 30, 2013, the Academy contracted with Indiana Insurance for the following coverage:

| | |
|--------------------------|-------------|
| General Liability | |
| Per Occurrence | \$1,000,000 |
| Aggregate | 2,000,000 |
| Errors and Omissions | 1,000,000 |
| Property (all locations) | 260,000 |
| Computer Coverage: | |
| Equipment | 105,000 |
| Software | 50,000 |
| Extra Expense | 25,000 |

There have been no significant decreases in coverage from the previous year. Settled claims did not exceed this commercial coverage for the past 3 fiscal years.

B. 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 determined by the State. At June 30, 2013, the Academy owed \$2,219 for this premium on January through June 2013 wages and \$337 on accrued wages. The liability is reflected in the financial statements at June 30, 2013.

NOTE 14 - EMPLOYEE BENEFITS

The Academy provides health, drug, dental and vision insurance for all eligible employees through United HealthCare and VSP. The Academy pays 80% of the monthly premium and employees pay the remaining 20% for health and vision coverage. The Academy pays 50% of the monthly premium and employees pay the remaining 50% for dental coverage. The Academy provides life insurance and accidental death and dismemberment insurance to employees through MetLife.

NOTE 15 - PURCHASED SERVICES

For fiscal year ended June 30, 2013, purchased services expenses were as follows:

| | |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 340,187 |
| Property services | 4,873 |
| Communications | 36,811 |
| Other services | <u>7,340</u> |
| Total | <u>\$ 389,211</u> |

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 16 - SPONSOR CONTRACT

The Academy entered into a one-year contract commencing on July 1, 2012 and continuing through June 30, 2013 with the Sponsor. Under the contract, the following terms were agreed upon:

- The Academy shall comply with the policies and provisions described in the “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, and the focus of the curriculum.
- The Academy shall comply with a “Financial Plan”, which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.
- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the “Governance and Administrative Plan”.
- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the “Assessment and Accountability Plan”.
- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid \$24,920 in sponsorship fees to the Sponsor during fiscal year 2013.

NOTE 17 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 effect on the financial position of the Academy.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Academy \$14,717. This amount is reflected as intergovernmental payable on the basic financial statements.

C. Litigation

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

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2013
(Continued)**

NOTE 18 - MANAGEMENT'S PLAN

For fiscal year 2013, the Academy had an operating loss of (\$547,793), a decrease in net position of (\$190,321), and a cumulative net position deficit of (\$401,174). The negative net position resulted from expenditures exceeding revenues for the past five years consecutively, due to a lack of growth in student enrollment. In effort to improve financial stability, the Academy changed its name and moved to a more accessible location. The Academy has continued expectations to increase enrollment in fiscal year 2015 and continue to reduce expenditures. If the Academy is unable to increase enrollment, the Academy may be forced to close its doors due to lack of financial resources. In effort to prevent closure, the Academy is seeking additional funding from Charter School Capital to pay creditors and reduce its outstanding liabilities.

The Academy's Business Manager and Treasurer monitor financial activities on a daily basis. Financial reports are submitted to the Board for approval at each Board meeting to determine the effectiveness of the expectations discussed above. The Academy has passed a balanced budget for fiscal year 2015.

NOTE 19 - Subsequent Events

- A.** On January 27, 2014, Eastman and Smith, Ltd. agreed to write off the balance the Academy owed for arbitration matters totaling \$56,829.50. In addition, Eastman and Smith, Ltd., agreed with the Academy's proposal of a \$1,000 minimum monthly payment until the debt is paid for the non-arbitration matters.
- B.** On March 19, 2014, the Board approved to change the Academy's name from Premier Academy of Ohio to Gateway Academy of Ohio. On June 7, 2014, the Board approved a location change; the Academy now resides at 4300 Kimberly Parkway, 3rd Floor, Columbus, Ohio 43232.
- C.** On August 27, 2014, the Academy approved the 2014-16 Eastland Center LLC building lease for 4300 Kimberly Parkway, 3rd Floor Columbus.



Dave Yost • Auditor of State

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

Premier Academy of Ohio
Franklin County
4300 Kimberly Parkway, 3rd Floor
Columbus, Ohio 43232

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Premier Academy of Ohio, Franklin County, (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 20, 2014; wherein we noted the Academy has suffered recurring losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2014

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

Finding 2013-001

1. **Financial Statement Presentation- Material Weakness**

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

An audit adjustment was posted to the audited financial statements, and where applicable, to the accounting records for the year ended June 30, 2013 to increase accounts payable and corresponding expenditures by \$254,130 for projected accounts payable variances.

Although the Academy has various internal control processes over financial reporting, the need to propose audit adjustments suggests controls may not be effective or may not be operating as management intended.

We recommend the Treasurer and members of the Board of Directors review the financial statements as prepared in accordance with Generally Accepted Accounting Principles to help ensure controls function as intended, allowing any misstatements to be detected and corrected in future reports.

Official's Response: The Board of Directors acknowledges the potential weakness and is conducting a search for a new Treasurer. Controls will be examined and heightened.

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|----------------------------------|------------------|--|
| 2012-001 | Financial Statement Presentation | No | Not Corrected; Repeated as Finding 2013-001 |



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Premier Academy of Ohio
Franklin County
4300 Kimberly Parkway, 3rd Floor
Columbus, Ohio 43232

To the Board of Directors:

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

1. We noted the Academy amended its anti-harassment policy at its meeting on May 23, 2012, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 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".

Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2014

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Dave Yost • Auditor of State

PREMIER ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2015**